



THE REPUBLIC OF SERBIA

THE GOVERNMENT

**NATIONAL PROGRAMME
FOR INTEGRATION WITH THE EUROPEAN UNION
(NPI)**

Belgrade, May 2008

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ABBREVIATIONS

Abbrev. of institution	Name of the institution
MSP	Ministry of foreign affairs
MO	Ministry of defence
MUP	Ministry of the interior
MF	Ministry of finance
MP	Ministry of justice
MDULS	Ministry of public admin. And local self-government
MPŠV	Ministry of Agriculture, Forestry and Water Management
MERR	Ministry of Economy and Regional Development
MRE	Ministry of Mining and Energy
MI	Ministry of Infrastructure
MTID	Ministry of Telecommunications and Information Society
MTU	Ministry of Trade and Services
MRSP	Ministry of Labour and Social Policy
MN	Ministry of Science
MZZS	Ministry of Environment Protection
MPRO	Ministry of Education
MOS	Ministry of Youth and Sports
MK	Ministry of Culture
MZ	Ministry of Health
MV	Ministry of Religion
MDULS	Ministry for Diaspora
MKM	Ministry for Kosovo and Metohija
ISS	Institute for Standardization of Serbia
ATS	The Accreditation Body of Serbia
DMDM	Directorate for Measures and Precious Metals
RSZ	Republic's Legislation Secretariat
KEI	European Integration Offices
NSZ	National Employment Services
ARMSP	Agency for SME Development
ASUPI	Agency for Foreign Investment and Export Promotion
RGZ	Republic's Geodesy Institute
NBS	National bank of Serbia
AP	Agency for Privatization
DIRS	Property Directorate of the Republic of Serbia
UZJN	Public Procurement Directorate
KZPP	Committee for Protecting the Rights of Tenderers
DRI	State Audit Institute
KHOV	Securities Commission
APR	Agency for Corporate Registers
KZZK	Commission for Protection of Competition

KZKDP	Commission for State Aid Control
AOD	Agency for Insurance of Deposits
RRA	Republic's Broadcasting Agency
ZZI	Informatics Institute
AZT	Agency for Telecommunications
DZUPP	Directorate for inland navigable waterways PLOVPUT
DZŽ	Directorate for Railways
DZCV	Directorate for Civil Aviation
AZE	Agencies for Energy
AZR	Agency for Mining
RZZR	Republic's Institute for Development
RZS	Republic's Statistical Office
SRRRKI	The Council for Regional Development and Regional Capital Expenditures
SLjMP	Human and Minority Rights Service
AZLP	Agency for Protection of Personal Data
ABPK	Anti-Corruption Agency
FZŽS	Environment Protection Fund
AZŽS	Environment Protection Agency
ZZP	Institute for Nature Conservation
ZIS	Institute for Intellectual Property
BDP	Gross Domestic Product
PEP	Priority from the European Partnership

INTRODUCTION

I. An Overview of Relations between Serbia and the European Union

Serbia, as one of the republics of the Federal Republic of Yugoslavia, became a part of the Stabilisation and Association Process (SAP) in November 2000. Since 2001, all the measures and instruments of this process have been accessible to Serbia, but the decision to start negotiations on the conclusion of the Stabilisation and Association Agreement (hereinafter: SAA) was not made until April 2005, following the adoption of the ‘twin-track’ principle for the negotiations with the State Union of Serbia and Montenegro. The negotiations were officially opened on 10 October, and the first official round was held on 7 November 2005. In May 2006, the negotiations on SAP were suspended by the decision of the European Commission only to be resumed on 10 June 2007 and successfully concluded by initialling the Stabilisation and Association Agreement on 7 November 2007. The Agreement was signed on 29 April 2008 at the meeting of the EU General Affairs and External Relations Council in Luxembourg. The beginning of the implementation of the Interim Agreement on trade and trade-related issues is expected as of 1 July 2008, with meeting the requirement defined by the Conclusion of the EU’s General Affairs and External Relations Council, from 29 April, regarding the full cooperation of the Republic of Serbia with the ICTY.

Parallel to the negotiations on this Agreement, a process of European integration of the Republic of Serbia was underway. National Assembly of the Republic of Serbia (the Serbian Assembly) passed in November 2004 a resolution on Serbia’s European future highlighting the strategic determination of Serbia to join the European Union. Government of the Republic of Serbia adopted in June 2005 the Serbia’s National Strategy for Accession to the European Union as an umbrella document for the whole process of European integration. This strategy outlines activities which the Republic of Serbia should undertake in all the sectors of its society, politics and law in order to be ready to assume obligations stemming from the European Union membership by 2012.

Since 2004 the Republic of Serbia has been drafting annual action plans for the implementation of European partnership. Regardless of the absence of legal obligation to do so, the Republic of Serbia launched in 2004 the process of approximation of its national legislation to *acquis communautaire*, and adopted every year its Approximation Action Plan. In addition, since 2006, action plans for building of capacity for the process of Serbia’s European integration, envisaging administrative and institutional capacities needed for the implementation of harmonised laws and achievement of other priorities in the process of Serbia’s European integration, have been regularly drafted.

Having signed the Stabilisation and Association Agreement, Serbia is entering a new phase of its relations with the European Union. For the first time, the relations with the European Union are founded on a contractual basis, whilst Serbia becomes a state associated with the European Union. The signing of the SAA entails Serbia’s obligation to gradually harmonise its legislation with *acquis communautaire* (hereinafter in the text: “AC”) as well as to implement it consistently. Thus, under article 72 of the SAA, Serbia is under obligation, in agreement with the European Commission, to prepare a special Programme for the implementation of obligations arising from the SAA. Approximation of legislation and implementation of laws under the programme shall be strictly monitored by the EU.

The SAA implementation starts after its signing and coming into force of the Interim Agreement, within planned transition deadlines, which are not longer than six years, for opening up of the market and full implementation of the agreement. Gaining the status of a candidate state depends on the European Commission assessment of Serbia’s readiness to start negotiations on membership in the EU. Bearing in mind relative delay of Serbia in the process of European integration, it is necessary to design in a systematic manner Serbia’s further steps towards the EU. The implementation of the SAA and

negotiations on accession to the EU essentially entail the same efforts – approximation of legislation to AC, which are described in detail in this document, the National Programme for Integration.

II. Objectives of the National Programme for Integration

In order to prepare the state, and the administration in particular, for new challenges and obligations in the EU accession process, and to fulfil the requirements stemming from the SAA, it was necessary for Serbia to prepare a comprehensive document which would integrate already existing activities and which would make it possible to plan and monitor all the Government's activities in the EU accession process as well as their efficient coordination. It is customary that this should be the document entitled *National Programme for the Adoption of the Acquis (NPAA)* which all the EU membership candidate states have. It defines developmental and strategic objectives, adequate policies, reforms and measures needed for the implementation of these objectives; it lays out a detailed plan of approximation of the legislation and institutional capacity building, and it defines human and budget resources as well as other funds needed for the implementation of the planned tasks.

Given that Serbia still does not enjoy the status of an EU membership candidate, but indubitably, according to the EU's appraisal, it has capacities to expedite the process of European integration, in order to demonstrate real administrative capacities a document with such contents has been composed, but named **National Programme for Integration of Serbia into EU (NPI)**. NPI should become one of the key documents of the Government in the years to come. It shall serve not only as a means of reforms coordination on the road towards the EU and a basis for drafting of Government's annual plans of work, but also as a transparent and well prepared information on planned reforms, intended, on one hand, for the European Commission and EU member states, and the Serbian society on the other. Upon gaining the candidate status, NPI should grow into NPAA.

NPI specifies not only obligations concerning the incorporation of AC into domestic legal system but also the tasks which must be conducted in order to fulfil political and economic criteria for accession (Copenhagen and Madrid criteria). Particular attention is dedicated to administrative capacities and budget resources that are needed to transfer AC provisions into domestic legislation and to carry out consistently planned reforms, given that the crucial point in the following phases of development of relations between Serbia and the EU shall be the implementation of the assumed obligations. NPI is changing several other documents which were prepared in the course of previous phases of relations between Serbia and the EU, which are to become its integral parts: the Action Plan for Implementation of European Partnership Priorities (August 2007), the Action Plan for Strengthening Administrative Capacities (December 2006) and the Action Plan for Approximation of Legislation of the Republic of Serbia to the EU Regulations (July 2007) as well as the Action Plan for SAA Implementation.

Since NPI presents a detailed picture of reforms and activities which will be realised in the following years, it provides information for the economic sector needed for the planning of their future activities. NPI enables general public to understand and follow the association process. As such, it is a precious vehicle for the promotion of openness of Government's work.

NPI defines development and strategic objectives and, on the other hand, policies, reforms and measures needed for the accomplishment of these objectives. It also specifies a detailed plan, timeline and priorities for the passage of laws and designates organs responsible for their drafting.

Full realisation of NPI objectives is projected to be achieved by 2012, when Serbia should be technically ready to assume all obligations arising from EU membership.

NPI is the document of the Government of Serbia. It shall be submitted to the National Assembly so that the deputies may acquaint themselves with it, given that the Assembly must be regularly informed about the whole process. The legislative part of the NPI will be of exceptional importance to the Assembly's

plan of work, bearing in mind that the Assembly, as a legislative organ, must follow the schedule for the passage of laws as designated by the NPI.

III. Structure and Methodology for Drafting of National Programme for Integration of Serbia into EU

The National Programme for Serbia's integration was compiled on the basis of experiences of countries which had been undergoing the same phases of integration. The Programme encompasses the period from 1 January 2008 until 31 December 2012. All the activities in the field of harmonisation with the EU law as well as the establishment and strengthening of institutions for the implementation of such legislation are divided into short-term activities (in the first two years) and medium-term activities (the period between 3 to 5 years).

NPI structures constitute six basic chapters:

1. Political criteria
2. Economic criteria
3. Ability to assume obligations resulting from membership
4. Administrative and judicial capacities
5. Preparation of the national version of *acquis*
6. Financial requirements and budget funds.

This document is a combination of the narrative part and accompanying tables with a particular emphasis on the narrative. Detailed tables on harmonisation of legislation, institutional structures and their capacities, and funds from the domestic budget and those from foreign aid packages make up an integral part of the NPI since they allow for a better and easier overview as well as facilitate the monitoring of planned and implemented activities. Databases, which support NPI, should provide a clear linkage between the *AC* and domestic legal system (the current and planned one, respectively) so as to create a clear picture on how and through which domestic legal acts each *AC* chapter would be transferred to the domestic legal system. Namely, this is one of the fundamental requirements which the European Commission, pursuant to article 72 of the SAA, will put forth before Serbia.

First Chapter – Political criteria correspond to a chapter in the European Commission's *SAP Annual Progress Report* for Serbia, i.e. it is dedicated to the stability of institutions guaranteeing democracy, rule of law, human rights, and respect and protection of minorities.

Second Chapter – Economic criteria refer to the establishment and/or advancement of a functional market economy, and particularly to the economic capacities needed to come to grips with the pressure of the competition that exists in the EU. To a large extent, this chapter also calls for designated legislation reforms.

Third Chapter – Ability to assume obligations that membership entails, which is the central chapter of the NPI. It comprises 35 subchapters which correspond to *AC* negotiating chapters. Each subchapter is structured so that it offers the following:

- General assessment of the current state of affairs (which legal act regulates specific area, degree of approximation to the *AC* or EU policy in this field, institution responsible for implementation and its capacities);
- Legislative part (explanation as to which part of the *AC* a new or amended and appended act shall be approximated to, who is in charge of the drafting of the said act, and planned date/quarter of the year for adoption in short (up to 2 years) and medium term (3-5 years);

- Institutional part (explains the needs for reorganisation of the existing or establishment of new institutions, the needs for employment and training in those institutions in short (up to 2 years) and medium terms (3-5 years));
- Budget part (explains costs of the planned reforms, like the salaries of the newly employed, costs of new premises, training costs, experts' fees, investments like the construction of a motorway, if they are in compliance with the EU traffic policy, etc.);
- Foreign aid funds (explains the type and amount of foreign aid and possible obligation of co-financing from the state budget).

Fourth Chapter – Administrative and judicial capacities – comprise two subchapters:

- Overview of public administration reform – it explains basic legislative acts pertaining to state administration and its current state of affairs; it presents an overview of new legal acts, an overview of policies and strategies for improvement of administrative capacities); it defines training strategies and plans for advancement of knowledge on the new legal system and an overview of the projected employment and establishment of new institutions (which is, in fact, the summary of data from the third chapter);
- Overview of judicial reforms – defines training strategies and plans for advancement of knowledge on the new legal system and *AC* within the judicial branch of power. This is an extremely important part of the overall improvement of the domestic capacities for the application of law, given that after the accession to the EU, the EU law becomes domestic law for Serbia's courts, which assume duties and powers to implement this law directly.

Fifth Chapter – Preparation of the national version of *AC* – specifies Serbia's obligation, before its accession to the EU, not only to provide the translation of about 100,000 pages of the Official Gazette of European Communities, which should be revised in legal and expert terms, and the compiling of domestic glossary of terms stemming from the EU legal system, but also the translation of harmonised domestic legal regulations into one of the EU's official languages. Until the dissolution of the State Union of Serbia and Montenegro, the translation of *AC* had been under the jurisdiction of the State Union itself. Some parts of the *AC* were translated in 2005 in accordance with the then priorities of competent ministries of Montenegro and Serbia, which was funded by the CARDS project. It is necessary to perform a systematisation of the translated material and start the process of planned translation of *AC* corresponding to the needs of Serbia's administration. It would be advisable to reconsider the possibility of regional cooperation in order to reduce the cost of translation and alleviate the burden for the personnel.

Sixth Chapter – Financial requirements and budget funds – it contains the conclusions from the previous chapters, and consists of the two subchapters:

- Budget of the Republic of Serbia (provides budget positions or designated purposes if there is no explicit budget position for each segment and/or chapter);
- Foreign aid funds (explains the type and amount of foreign aid and possible obligation of co-financing from the state budget for each segment and/or chapter).

Methodology for NPI Drafting

As part of the preparation of the document, similar to the so-called *screening* process, competent ministries and expert agencies of the Serbian Government studied the *AC* provisions, reading them in one of the official languages of the European Union. Full translation into Serbian language is still not

possible as there is no in place a comprehensive database of terms and expressions, nor translating capacities needed to complete the task within a reasonable deadline, so that the translation in this phase, even the translation of only crucial regulations from individual chapters, would result in erroneous incorporation of the *AC* into the domestic legal system. After that, competent organs of state administration had to provide answers to questions on legislative, economic, institutional, administrative, etc. effects on Serbia of approximation to the *AC* within the previously designated well-designed format.

Subgroups of the Expert Group for preparation and negotiations on Serbia's accession to the European Union, formed in December 2007, had the key role in the preparation of NPI. Their task was to harmonise jurisdictions of all competent ministries and expert agencies of the Government for each and every segment of *AC*, and, subsequently, to prepare the screening, coordinate the process of approximation of legislation and coordinate the preparations for the drafting of key documents related to the process of Serbia's accession to the EU.

The preparation for the drafting of the document started with a training organised by the EU Integration Office (hereinafter: the Office) for representatives of all ministries and other government institutions. Thus, detailed instructions for the drafting of the document were presented as well as the manner in which other institutions are to report to the Office. CDs with the entire *AC*, forms and the schedule of "ownership" of *AC* according to respective jurisdictions of individual organs of the state administration were provided to the involved institutions.

Subsequently, the ministries were harmonising the text and tables for each NPI subchapter within subgroups of the Expert Group, after which they compiled the narrative of the document.

Since NPI is one of the key documents for potential candidate states, it is necessary to perceive its preparation as one of the most important priorities of the Government and the ministries, as well as to dedicate sufficient personnel and other resources (IT support, necessary material resources) for the preparation of this document. All the more so, if we bear in mind that NPI, in practical terms, is also the preparation for the filling in of the so-called *Questionnaire* of the European Commission on requirements for gaining the status of a candidate state, as well as the future negotiating position in the talks on Serbia's accession to the EU.

Finally, the National Programme for Integration is a "living" document. It will be revised every year, taking into account the European Commission's comments, constant updating of the *AC* at the level of the EU, and advanced knowledge and the raising of awareness of the importance of reforms as part of the Serbia's European integration. Revision will be performed from January till April every year, after receiving the European Commission's Annual Report in November in the previous year.

IV. Monitoring of the Implementation of National Programme for Integration

The National Plan for Integration's implementation primarily demands existence of administrative and financial capacities of the Republic of Serbia. According to the NPI, the administrative capacities necessary for its full implementation in 2012 must be enhanced by 3,737 executors (compared to 7,200 in 2007), in order to reach the number of 10,937 executors necessary to take over all the obligations emanating from the EU membership. This number does not imply recruitment of new staff, and thus no additional charges to the budget of the Republic of Serbia, since the accent at providing this number of executors will be placed on re-qualification of the existing administrative capacities. Thereby the need to rationalize the existing administrative capacities will be addressed, and at the same time the necessity of its professionalization.

On the basis of the Serbian Government's decision of 6 December 2007, the drafting of NPI was initiated. Following the decision to adopt the National Programme for Serbia's Integration, the Serbian

Government will reach a new decision that the NPI implementation should be one of the principal political priorities as well as that its realisation would be monitored regularly, at least every three months. This will clearly show the state's orientation towards the European integration and it will prove the worth of the existing administrative capacities for assuming obligations typical of the EU membership candidate states.

The implementation of NPI will be monitored through meetings of the Enhanced Permanent Dialogue (EPD) and through the work of the Temporary Committee and subcommittee of the Stabilisation and Association Council, which will start working after the Interim Agreement on trade and trade-related issues, which is an integral part of the SAA, comes into force. One of the methods for monitoring NPI will also be the annual progress reports compiled by the European Commission, but progress can be monitored also through the reports of Serbia adopted by the European Parliament, and through reports of other EU institutions.

Every three months after the NPI adoption, the Serbian Government will report to the National Assembly of the Republic of Serbia on the implementation of this programme. In addition, as part of the EU Integration Office, an electronic database was established which will represent the basis for monitoring of the implementation of all activities that are envisaged by NPI to be applied, both in terms of deadlines and their contents. This database provides an overview indicating which phase the competent organs have reached in the implementation of all the planned obligations, and this will enable the Serbian Government to respond in a timely fashion as well as to ensure a consistent implementation of the National Programme for Integration. Also, the database will provide insight into statistics on the number of laws, by-laws and rulebooks necessary for transposition of the whole contents of the *Acquis* into the national legislation.

In fact, in addition to ministries and other organs of the Serbian Government, it is necessary to include in the NPI implementation and its monitoring all other segments of the society: both the Serbian Assembly, expert public and civil society organisations. Expert and financial assistance of bodies and agencies of the European Union is also expected in its implementation, as well as the assistance from the Member States.

1. POLITICAL CRITERIA

1.1. DEMOCRACY AND RULE OF LAW

1.1.1. Constitution

The National Assembly of the Republic of Serbia passed on its session of November 8, 2006, Decision on the Promulgation of the Constitution of the Republic of Serbia ("Official Gazette of the Republic of Serbia", No. 98/06). The National Assembly of the Republic of Serbia passed the Constitutional Law on Implementation of the Constitution of the Republic of Serbia ("Official Gazette of the Republic of Serbia", No. 98/2006) on its session of November 10, 2006 .

In the procedure of harmonization of the legal system with the new Constitution of the Republic of Serbia and the Constitutional Law on Implementation of the Constitution of the Republic of Serbia, the Law on the President of the Republic ("Official Gazette of the Republic of Serbia", No. 111/07) and the Law on the Election of the President of the Republic of Serbia ("Official Gazette of the Republic of Serbia", No. 111/07) were passed at the end of 2007.

1.1.2 The National Assembly

The National Assembly of the Republic of Serbia is the highest legislative body in the Republic of Serbia. It consists of 250 members of parliament, who are by Constitution elected by free and secret ballot to 4-year term of office. After the parliamentary election on 11th May 2008, new convocation of the National Assembly (NSRS) is expected to take place. 250 MPs were elected, from eight parties or coalitions.

The National Assembly adopted on 14th October 2004 the Resolution on European Integration. The Resolution contains guidelines for the work of legislative and executive power of the Republic of Serbia, aiming at meeting the Copenhagen criteria. Pursuant to this Resolution, the Government of the Republic of Serbia is obliged to regularly inform the National Assembly of the issues related to progress made in the European integration process. The Resolution emphasizes full consensus on assuming full EU membership as the highest and incontestible political priorities, and readiness for further engagement in meeting political requirements to reach this goal. The Resolution underlines the need to bring to justice all the suspects of war crimes perpetrated during the 1991-2000 armed conflicts on former SFRY territory. This document also emphasizes full accordance on further improvement of good neighbourly relations and all other forms of regional cooperation and regional initiatives, as well as the National Assembly's obligation to make the national legislations; alignment to the Acquis a priority, and special procedures are demanded to be introduced for improvement of this process.

Organization and work of the National Assembly, and the way of exercising new rights and duties of MPs are regulated by the National Assembly's Rules of Procedure (RS Official Gazette, 53/05), enforced since 28th June 2005.

The Rules of Procedure regulate the issues of constituting and disbanding the National Assembly, position and competences of its Speaker, deputy speakers and Secretary General, caucuses, competences and composition of parliamentary committees and other bodies. Also, it defines the procedure of work at the Assembly's sessions, the way of decision-making, and the procedure of passing laws and other acts. The Rules of Procedure define MPs' immunity, their rights and obligations, transparency of work, procedure for election and relieve of office of officials elected by the National Assembly. Further, the Rules of Procedure defines the relations of the National Assembly with the President of the Republic, the Government and the Constitutional Court, and defines the scope of competences of parliamentary services. It defines the National Assembly's work in the state of war, imminent war peril and state of emergency.

According to the National Assembly's Rules of Procedure, the right and duty of representing the Government in the National Assembly, during discussions on all issues of its competences, belong to the Prime Minister. The Government appoints its members who shall represent it on certain issues on the agenda of the Assembly's or a committee's session. In order to provide expertise and other explanations, the Government can appoint its trustees. In order to exercise the Government's rights and duties in the Assembly, the Assembly and its committees inform the Government and relevant ministries of their sessions and the issues discussed there.

For discussion of issues under the competences of the National Assembly, proposed acts, and issues of policy making, law enforcement, other regulations and general acts by the Government of Serbia in certain areas, committees are formed and they can have sub-committees. The National Assembly can form enquiry committees and commissions.

The National Assembly at the moment has thirty standing committees:

- The Committee for Constitutional Issues,
- Legislative Committee,
- The Committee for Defence and Security,
- The Committee for Foreign Affairs,
- The Committee for Justice and Administration,
- The Committee for Inter-Ethnic Relations,
- The Committee for Relations with Serbs outside Serbia,
- The Committee for Development and Foreign Economic Relations,
- The Finance Committee,
- The Industry Committee,
- The Committee for Transport and Links,
- The Committee for Town Planning and Construction,
- The Committee for Agriculture,
- The Committee for Trade and Tourism,
- The Privatization Committee,
- The Committee for Kosovo and Metohija,
- The Committee for Health and Family,
- The Committee for Environment Protection,
- The Education Committee,
- The Committee for Youth and Sports,
- The Committee for Culture and Information,
- The Committee for Science and Technological Development,
- The Committee for Labour, Veterans and Social Affairs,
- The Committee for Applications and Motions,
- The Committee for Economic Reform,

- The Committee for European Integration,
- The Committee for Poverty Reduction,
- The Committee for Gender Equality,
- The Committee for Local Self-Government,
- The Administrative Committee.

The composition of standing parliamentary committees, and functions of committee chairpersons and vice-chairpersons is proportional to representation of parties among MPs. Committee chair and deputy chair are from the government and from opposition, respectively.

Most tasks of parliamentary committees are related to preparation of plenary sessions of the Assembly, especially in discussion on drafts and bills. Bills are first generally discussed at parliamentary committee sessions, and then the discussion is detailed. Participants in discussion can be committee members, the bill's author or their representative, the Government's representative if the Government is not the proposing and amendment-submitting entity or any MP who attends the committee session. After discussion, the committee submits to the Parliament a report with the committee's opinion and proposals. The committee appoints a rapporteur who, if necessary, explicates the committee's report at the Assembly's session.

In the domain of European integration process, the work of parliamentary European Integration Committee is certainly the most important. This committee, consisting of 15 members, considers bills, other regulations and general acts from the point of their conformity with the EU and CoE regulations. The Committee considers plans, programmes, reports and information on the process of stabilization and association with the European Union, and every three months discusses the Government's report on implementing the European Partnership priorities. Also, the Committee monitors the accession strategy implementation and proposes actions and launches initiatives to expedite the completion of the accession strategy within the Assembly's competences. It proposes measures for establishing a general, national consensus on the accession strategy and the European integration process and develops international cooperation with other countries' committees in order to better understand the process of accession and European integration.

Special assistance and support in the work of the European Integration Committee comes from the Department for Harmonization of National Assembly's Regulations, set up pursuant to the Decision on Internal Organization and Job Systematization in the National Assembly's Secretariat from 2005. The Department's role is harmonization of proposed laws and amendments to laws with the effective national regulations and to those of the EU and international organizations that Serbia is a member state of, as well as doing other expert work for the needs of MPs, committees and caucuses. Since 2006, four people have been working for the Department, three lawyers and one economist. The employees have experience in civil service, private and NGO sector, and they constantly build up their capacities through training programme.

Also significant for the European integration process is the work of Foreign Affairs Committee, which considers proposed laws, other regulations and general acts, and other issues of foreign policy, and considers the most important issues in international relations that are of special interest for the Republic of Serbia. This Committee considers certain acts in order to provide opinion to the National Assembly vis-a-vis the consent that the Assembly gives on signing international agreements, the EU agreement included, proposes to the National Assembly goals and tasks of the Assembly's delegations in cooperation with corresponding representative bodies of other countries and considers reports on visits paid.

The National Assembly, i.e. its Defence and Security Committee, performs parliamentary control of the Army of Serbia and of defence system, including consideration of reports whereby the Government inform the Assembly at least on annual basis of the state of play in preparations for defence in the Republic of Serbia. It also controls the work of the Ministry of the Interior, which implies briefing the National Assembly by the Minister of the Interior (once a year, or more often upon request or need) about the Ministry's work and the security conditions in the Republic of Serbia, i.e. reporting to the Defence and Security Committee, upon its request, about issues from its scope.

The National Assembly's competences also cover control over intelligence services. Pursuant to the Law on Bases for Regulation of Intelligence Services in the Republic of Serbia, and the Law on Army of the Republic of Serbia, mechanisms have been introduced to enable the National Assembly to control defence sector, including control of two military services's work as well as that of administrative bodies within the Ministry of Defence.

During the previous convocation of the Assembly, work started on the Law on the National Assembly and the new Rules of Procedure on its work. Proposals of both documents were finished in the course of 2007 by the Working Group consisting of caucus representatives of the National Assembly.

The proposed changes in the Draft Rules of Procedure pertain to reduced number of the existing parliamentary committees and introduction of new committees (e.g. the Committee for Human and Minority Rights and Diaspora, the Committee for Economy and Regional Development and the Committee for Parliamentary Budget). The proposed new Rules of Procedure require introduction of a special Commission for Intelligence Services' Control, and introduction of institute of public hearing at committee sessions. The possibility of denying the floor to speakers is tightened, if MPs do not adhere to provisions of the Rules of Procedure. The Rules of Procedure propose expansion of the scope of entities allowed to propose laws, to Ombudsman and the National Bank of Serbia. It also introduces a legal basis for MPs with disabilities to exercise special rights.

The Draft Rules of Procedure especially emphasize introduction of accelerated procedure for passing bills whereby the Republic of Serbia gets aligned to the Acquis (the so-called fast track for alignment of national legislation). As "European laws" envisaged for accelerated procedure, those are the laws emanating from the European Partnership and Action Plan for harmonization of the national legislation with the EU's. In addition, a possibility to shorten discussion on bills is envisaged, reduced time for presenters of bills and reduced time for other speeches and introduction of possibilities for MPs to take the floor from their seats, and the institute of oral form of asking questions is regulated in a more efficient way. With these novelties the National Assembly raises the level of its responsibility in order to address the need to expedite the pace of Serbia's European integration.

Changes are proposed against the previous text of the Rules of Procedure as a result of conformity with the Constitution of Serbia and the working version of the Law on the National Assembly, pending for soon adoption in the Assembly. In drafting the new Rules of Procedure, experience of some EU member states or candidate states was used (Slovenia, Croatia).

Members of Parliament and the staff of the Assembly's administrative services have attended many training seminars, organized for their needs by the OSCE, the European Integration Office and NGOs. Since 2003 the OSCE has been organizing internship programme for students of the faculty of Political Science, Law and Economy, who subsequently help out on the work of caucuses and committees in the Assembly.

The National Assembly has its standing delegations actively participating in international parliamentary structures in the Council of Europe, OSCE, NATO, and it cooperates with parliaments of South East European countries and parliaments of other countries.

The national integration programme, as the basis for drafting the Government's annual work plan, will present a solid foundation for defining legislative timetable in the work of the National Assembly of the Republic of Serbia.

1.1.3. Government

The Government holds executive power in the Republic of Serbia.

According to the Constitution, the Government's competences are to:

1. define and pursue policies,
2. enforce laws and other general acts of the National Assembly,
3. adopt decrees and other general acts in order to enforce laws,
4. propose laws and other general acts to the National Assembly and provide opinion on them when other proponent submits them,
5. direct and harmonize the work of ministries and other bodies of public administration and supervise their work,
6. perform other duties set forth by the Constitution and law.

The Government is accountable to the Parliament for the Republic of Serbia's policy, for law enforcement and for the work of public administration bodies.

The Government consists of the Prime Minister, one or more deputies and ministers.

The Prime Minister leads and guides the Government's work, takes care of its even political activities harmonizes the work of Government members and represents the Government.

The ministers are accountable to the Prime Minister, Government and Parliament for their work and situation in the scope of their ministries' competences.

The President of the Republic proposes to the National Assembly candidate for Prime Minister Elect, having heard the opinion of representatives of elected party lists.

The prime minister candidate presents to the Parliament the government's programme and proposes its composition, on which the Parliament votes simultaneously.

The government is elected if majority of all MPs votes for its election.

The government's term of office lasts till the end of term of the Parliament that elected it, and starts from the day of taking oath before the Parliament. That means that the Government's term always stops together with that of MPs who elected it – be it with expiry of their term, i.e. after four years, be it with disbanding the National Assembly.

Besides the above mentioned, the government's term can cease before the end of the Parliament's term in cases of: no confidence vote, Prime Minister's resignation, failure to vote confidence. Non-confidence vote for the Government or an individual member can be requested by minimally 60 MPs. The National Assembly accepts the proposal of non-confidence vote if more than half of all MPs vote for it.

The government can request vote on its confidence. The National Assembly accepts proposal of confidence vote if more than half of all MPs vote for it. If the National Assembly does not vote for confidence to the government, the government's term ceases. The Prime Minister can offer his resignation to the National Assembly. The government's term ceases on the day of noting the Prime Minister's resignation.

The government with ceased term, till a new government is elected, can perform only current and urgent duties set forth by law.

A government member's term of office can cease before the time of its duration with noting their resignation, no-confidence vote in the Parliament and relieving from office by the Parliament, at the Prime Minister's proposal.

The Law on Government ("RS Official Gazette", 55/05, 71/05-amendment and 101/07) stipulates that the government is composed of prime minister, one or more deputy prime ministers and line ministers. The government can also have ministers without a particular line. The number of deputy prime ministers and no-line ministers is determined by the National Assembly at every government's election, upon the proposal of prime minister candidate. The number of line ministers is equal to the number of ministries formed by the Law on Ministries.

The Prime Minister leads and guides the government, takes care of unity of its political actions, harmonizes the work of its members, represents it and calls for and chairs its sessions. The prime minister can give mandatory directives and special assignments to other government members, in accordance with the government's programme and policy. A government member can demand for the government to decide whether the prime minister has trespassed his competences in that. The prime minister takes decisions and solutions. The prime minister decides deputy prime minister who will substitute him in absence or while prevented to perform his duties, determines the areas in which the deputy guides and harmonizes projects in the area of several ministries and special organizations, confers to the deputy the authorization toward director of government's service, accountable to him, authorizes government member to take over the mandate of another government member whose term has expired, determines assignments for no-line ministers, sets up prime minister's councils and appoints and dismisses members of prime minister's councils. Decisions taken by the prime minister are published in the "Official Gazette of the Republic of Serbia". If the prime minister decides that it is necessary to adopt a written act when executing other competences, he takes a decision which is not published in the "Official Gazette".

Deputy Prime Minister guides and harmonizes the work of public administration agencies determined by the prime minister. Prime minister can authorize the deputy to manage a project in the area of several agencies of public administration. The prime minister appoints deputy prime minister who will substitute him in absence or while prevented from performing duties and gives him all the competences of prime minister except for authorization to propose election or relieve of office for government members. In all other matters, the position of deputy prime minister is subject to regulations pertinent to ministers.

Minister can submit to the government proposals to regulate issues under the government's and parliament's jurisdiction and demand that the government take a stand on an issue from his competences. Minister is obliged to inform the government of everything of consequence for the government's policy and decision making. Minister is responsible for implementation of the government's programme and policy, for decisions and actions he has taken or failed to take and for execution of mandatory directives and special assignments the prime minister allotted to him.

Government member cannot perform any other public function in a state body, or any authority of autonomous province, local council, city, the city of Belgrade, nor can he deal with any activity unmatchable with the duty of government member, nor create a possibility of conflict between public and private interest.

The government takes decisions at sessions, with majority vote of all government members.

In November 2007 the *Law on Amendments to the Law on Government* (the Official Gazette of RS, 101/07) whereby the government's activities were harmonized with the Constitution of the Republic of Serbia vis-à-vis local self-government units in the area of protecting the Constitution and lawfulness, unmatchability of government members' functions and in the Parliament's decisions on no-confidence or confidence vote. Harmonization with the Constitution has been achieved also vis-à-vis protection of constitutionality and lawfulness in the area of protection of lawfulness of decisions taken by autonomous provinces in their jurisdiction.

Novelties in unmatchability of government members' functions and vis-à-vis the Parliament's decisions on no-confidence or confidence for the have already been mentioned.

In the area of protecting constitutionality and lawfulness the government is obliged to prevent the execution of general act of local council, city and the city of Belgrade if deeming it in contravention with the Constitution or law, with a decision published in "RS Official Gazette". The decision on prevention of execution ceases if the government does not launch a procedure to ascertain the lawfulness and constitutionality of the general act within five days from the day of the decision's publishing.

1.1.4. Public administration

Public administration is part of executive power in the Republic of Serbia, doing administrative affairs within rights and duties of the Republic of Serbia. By the Constitution, it is independent, bound by the Constitution and law, and accountable to the Government.

Bearing in mind the importance of public administration, the Government set the reform in this area on the foundations of generally accepted principles of European administrative law as one of its priorities. As the basic strategic document in public administration, the Government adopted the Strategy of Public Administration Reform in October 2004. More about this Strategy in section 4.1.1. of this document, pertaining to public administration reform.

The legal framework of public administration's organization and functioning in Serbia is made of a law package, adopted from 2004 to date, in accordance with the public administration reform Strategy:

- The Law on Government (RS Official Gazette 55/05, 71/05 – amendment and 101/07)
- The Law on Public Administration (RS Official Gazette 79/2005 and 101/07)
- The Law on Public Agencies (RS Official Gazette 18/2005 and 81/2005 - amendment)
- The Law on Civil Servants (RS Official Gazette 79/2005, 81/2005 – amendment, 83/2005 - amendment, 64/2007 and 67/2007 - amendment)
- The Law on Salaries of Civil Servants and Employees (RS Official Gazette 63/2006 - amendment and 115/2006 - amendment)
- The Law on Electronic Signature (RS Official Gazette 135/04)
- The Law on Ombudsperson (RS Official Gazette 79/2005 and 54/2007)
- The Law on Free Access to Information of Public Importance (RS Official Gazette 120/04 and 54/07)
- The Law on Prevention of Conflict of Interest in Performing Public Functions (RS Official Gazette 43/04)

Beside these laws, the Law on Ministries stipulates formation of ministries and special organizations and defines their scope. Also, in cases when it is envisaged by the laws, by-laws elaborate on further provisions on these laws in order to provide their implementation.

Public administration of the Republic of Serbia is regulated by the Law on Public Administration (RS Official Gazette 79/2005). By the Law's provisions, the public administrative bodies are ministries,

administrative bodies within ministries and special organizations. The Ministries are formed by law for affairs public administration in one or more connected areas. They can have one or more administrative bodies within, and they are formed for executive, inspection and related expert affairs, if their nature or size demand more autonomy than that of a sector within ministry (sectors are formed for a completed area of ministries' work and they are headed by assistant ministers). Administrative bodies within ministries are headed by directors, who are accountable to ministers. Types of bodies are administrations, inspectorates and directorates, and the Law on Public Administration defines basic criteria for formation of each. Special organizations are formed for expert and related executive affairs that demand more autonomy than that of administrative bodies within ministries. Types of special organizations are secretariats and institutes, and by law special organizations can be formed under a different name, so some of them are called agencies, directorates, centres, etc. The Law on Public Administration defines the basic criteria for formation of various types of organizations. They are headed by directors, accountable to the Government.

Special organizations called 'agencies' should be distinguished from agencies in terms of the Law on Public Agencies, formed under certain conditions for developmental, expert or regulatory affairs of general interest. As publicly entitled, they are entrusted with certain public administration affairs, but they are not public administration bodies. Public agencies are autonomous in their work and the Government cannot guide their work, but the supervision over a public agency in affairs of entrusted public administration is done by the line ministry. Beside public agencies, certain public administration affairs can by law be entrusted to autonomous provinces, municipalities, towns and the city of Belgrade, to public companies, institutions and other organizations (in terms of the Law on Public Administration, those are the so-called public entitlement holders).

The public administration bodies of the Republic of Serbia are:

I. MINISTRIES, with administrative bodies within:

1. The Ministry of Foreign Affairs
2. The Ministry of Defence
 - Defence Inspectorate
 - Military Security Service
 - Military Intelligence Service
3. The Ministry of the Interior
4. The Ministry of Finance
 - Customs Administration
 - Tax Administration
 - Games of Chance Administration
 - Treasury Administration
 - Public Debt Administration
 - Tobacco Administration
 - Anti-Money Laundering Administration
 - Free-Zone Administration
 - Foreign Exchange Inspectorate
5. The Ministry of Justice
 - The Administration for Execution of Penal Sanctions
6. The Ministry of Public Administration and Local Self-Government

7. The Ministry of Agriculture, Forestry and Water Management
 - Veterinary Administration
 - Plant Protection Administration
 - Water Directorate
 - Forest Administration
 - Agricultural Land Administration
8. The Ministry of Economy and Regional Development
 - Directorate for Measures and Precious Metals
9. The Ministry of Mining and Energy
10. The Ministry of Infrastructure
11. The Ministry of Telecommunication and Information Society
12. The Ministry of Trade and Services
 - Directorate for Commodity Reserves
13. The Ministry of Labour and Social Policy
 - Administration for Occupational Safety and Health
 - Labour Inspectorate
14. The Ministry of Science
15. The Ministry of Environment Protection
 - The Agency for Environment Protection
16. The Ministry of Education
17. The Ministry of Youth and Sports
18. The Ministry of Culture
19. The Ministry of Health
20. The Ministry of Diaspora
21. The Ministry of Religions
22. The Ministry of Kosovo and Metohija

II. SPECIAL ORGANIZATIONS:

1. Republic's Secretariat for Legislation
2. Republic's Institute for Development
3. Republic's Statistical Office
4. Republic's Hydrometeorological Institute
5. Republic's Geodesy Institute
6. Republic's Directorate for Property of the Republic of Serbia
7. Republic's Institute for Information and the Internet
8. The Agency for Development of Local Self-Government Infrastructure
9. The Agency for Foreign Investment and Export Promotion
10. The Centre for De-Mining
11. The Institute for Intellectual Property
12. The Directorate for Inland Navigable Waterways "Plovput"
13. The Geo-Magnetic Institute
14. The Institute for Social Insurance

15. The Agency for Recycling
16. The Public Procurement Administration
17. Republic's Seizmological Institute
18. The Comessariat for Refugees
19. The Agency for Energy Efficiency
20. The Security and Intelligence Agency
21. Republic's Agency for Amicable Settlement of Labour Disputes
22. The Railways Directorate
23. The Agency for Mining
24. The Directorate for Restitution

Although, accurately taken, they are not public administration bodies, the Government's services are also part of public administration system. They are formed by the Government in accordance with the Law on Government and the Decree on Government's Services (RS Official Gazette 75/2005). The Government's services, by law, deal with expert or technical affairs or the Government or the affairs common for all or for more public administration bodies. The Law on Government stipulates that the Government's services are subject to regulations on the way of work, funding and labour relations in public administration bodies (if not defined otherwise by special regulations). A government's service is headed by director, who is accountable to the Prime Minister or the Government's Secretary General, and the Prime Minister can delegate his competences related to service director to Deputy Prime Minister. Government's services can also be headed by ministers without portfolio.

The Government services are the following:

1. The Government's Secretariat General
2. The Press Office
3. The European Integration Office
4. The Government's Standing Office for Economic Development in Kragujevac
5. The Government's Standing Office for Economic Development in Bor
6. The Service of Serbia's Coordination Body for the Municipalities of Presevo, Bujanovac and Medvedja
7. The Human Resources Management Service
8. The Human and Minority Rights Service
9. The Government's Aviation Service
10. The National Investment Plan Office
11. The Office of National Council for Cooperation with the ICTY

Public administration bodies, according to the Law on Public Administration, act on the principles of independence and lawfulness; expertise, impartiality and political neutrality; effectiveness in the users' rights exercising; proportionality and respect of the users; and transparency of work. Public administration affairs are participation in shaping the Government's policy (through drafting laws, other regulations and general acts for the Government and proposing development strategies and other measures); monitoring and identifying the status of areas under the competences of individual bodies; enforcing laws, other regulations and general acts; inspection control, screening the lawfulness of public service work; developmental affairs (inciting and gearing development in the area of individual bodies, according to the governmental policy); and all other expert affairs, such as collecting and studying data, writing analyses, reports, information, etc.

The internal structure and organization of public administration bodies (and the Government's services), and the accurate number and structure of staff, are defined by rulebooks on internal

arrangement and job systemization for each individual body. These rulebooks must be based on principles defined by the Decree on principles of internal arrangement and job systematization in ministries, special organization and Government's services and they require the Government's agreement. Proposals of such acts are previously submitted to the Ministry of Public Administration and Local Self-Government, the Ministry of Finance and the Human Resources Management Service, in order to provide observation of relevant legal provisions, the afore mentioned organizational principles and more rational job and resource division.

The Law on Civil Servants, which entirely came into force on 1st July 2006, comprehensively arranged the rights and duties of civil servants in Serbia, in accordance with principles of the European Administrative Space. In accordance with the Public Administration Reform Strategy, a "narrower" concept of civil servant was opted for, with civil servants being only those employed with the central state bodies, not with autonomous provinces or local self-government. Accordingly, by this Law,

"A civil servant is a person whose job consists of affairs from the scope of public administration, courts, public prosecutorial offices, Attorney General's office, President of the Republic, Prime Minister, Constitutional Court and services of bodies made of members elected by the National Assembly (hereinafter: state bodies) or related general legal, information, material and financial, accounting and administrative affairs (Article 2 of the Law)

It ensues from this definition that the category of civil servants does not cover the staff in local self-government, nor those in education, health care, etc. The position, rights and duties of these categories are subject to either general labour regulations or other special laws. The Law on Civil Servants also makes a distinction between civil servants and employees, who are the persons whose jobs consist of auxiliary assistant and technical affairs in a state body. Since the employees do not perform duties of public administration bodies, the Law on Civil Servants arranges only the basic rights and duties of employees (e.g. job classification, requirements for recruitment, right to pay, provisions on redeployment and assignation, etc.) while all other elements of their position are subject to general labour regulations.

The Law on Civil Servants provides conditions for making a professional, responsible, politically neutral service system and envisages de-politicization of the whole managing level in civil service, as it envisages a category of civil servants in position. Civil servants in position are appointed by the Government or another legally designated body, but before that they must go through electoral procedure (competition) conducted by competition commission where their professional skills for certain job are tested. The Law also stipulates conditions to be met in order to become civil servant in position (university degree and at least 9 years' experience in the vocation). Their term of office lasts 5 years (longer than the government's) and it is renewable without a repeated competition. Pursuant to these changes, in ministries the only political officials are ministers and state secretaries (former deputy ministers), and chiefs and members of ministerial staff, in limited number. In administrative bodies within ministries, special organizations and government's services there are no political officials. Electoral procedure for a part of jobs turned into positions by the Law on Civil Servants (assistant ministers, secretaries general of ministries, directors of administrative bodies within ministries, of special organizations and government's services, and their deputies and assistants) is already completed, while in the coming period this process is expected to end on the whole.

The Law on Civil Servants envisages that the Government set up Human Resources Management Service as a governmental service in charge of expert affairs related to management of human resources in public administration. Its arrangement and scope are defined by Decree on setting up Human Resources Management Service (RS Official Gazette 106/2005). Beside the affairs related to call for job applicants, records on human resources and other human resources management affairs, the

Service also prepares programme proposals for general professional training and submits it to the government, and organizes training for civil servants on issues common to all or majority public administration bodies (“horizontal” training). More on civil servants’ training in section 4 of the document, referring to administrative and judiciary capacities for implementation of the *acquis*.

Reform of pay system was implemented through adoption of the Law on Civil Servants and Employees Pay, whereby the salaries of civil servants were made not only more attractive, but by far more transparent. Also, applying the principles of salary decompression, a bigger difference was made among quotients for various levels of civil servants, which created conditions for giving additional motivation to the staff performance through promotion system (through levels – vertically, through pay grades and without change in level – horizontally).

The public administration reform strategy envisages adoption of the Law on Electronic Signature, the Law on Ombudsperson and the Law on Free Access to Information of Public Importance.

In order to provide protection for citizens’ rights in their interaction with state bodies, the Law on Ombudsperson was adopted. Ombudsperson is established as an independent state body protecting citizens’ rights and controlling the work of public administration bodies, the body in charge of legal protection of property rights and interests of the Republic of Serbia, as well as other bodies and organizations, companies and institutions entrusted with public entitlement. According to the Law’s provisions, Ombudsperson is elected by the National Assembly upon the proposal of the constitutional committee. Its term of office lasts five years and the same person can be re-elected only once consecutively. The Law defines requirements that a candidate for this function must meet, the oath that Ombudsperson and deputies take before they come in office, the functions unmatchable with Ombudsperson’s function, conditions for Ombudsperson’s relief of office, Ombudsperson’s competences, the procedure launched upon citizens’ complaints or own initiative, regular reporting to the National Assembly, cooperation with other bodies, the method of providing funds necessary for work, etc. The Ombudsman was elected in late June 2007.

In order to satisfy and protect the public interest to know and the free and open democratic order and open society, the Law on Free Access to Information of Public Importance. In order to exercise the right of access to information of public importance with public authority bodies, the Law stipulates the Trustee for Information of Public Importance, as an independent state body, autonomous in performing its duties. Beside the basic definition and contents of the right of free access to information of public importance, the Law defines conditions under which that right can be abolished or derogated, the procedure before the Trustee, election, position and competences of the Trustee, measures to improve transparency of public authorities’ work, damages and penal provisions. In accordance with the Law provisions, the National Assembly elected the Trustee for information of public importance in late 2004.

Introduction of electronic business and electronic signature has a special importance for public administration modernization. The Law on Electronic Signature, adopted in 2004, defines the use of electronic signature in legal affairs and other legal actions, business, and rights, duties and obligations related to electronic certificates. Supervision over the work of certifying bodies in collection, use and protection of users’ personal data is done by bodies designated by law and other acts that regulate personal data protection.

Local self-government

Within the Public Administration Reform Strategy in the Republic of Serbia, decentralization is defined as one of five major principles. The purpose of decentralization process is not in sheer disempowerment of the central authorities and delegation of competences to local authorities. This

process is meaningful if providing good-quality meeting of citizens' every-day needs, which are logically best met by local authorities, being closest to citizens.

In accordance with this principle's application, in late 2007 the following laws were adopted in the area of local self-government and territorial organization of the Republic of Serbia:

1. The Law on Local Self-Government (RS Official Gazette 129/07);
2. The Law on Local Elections (RS Official Gazette 129/07);
3. The Law on Capital City (RS Official Gazette 129/07).
4. The Law on Territorial Organization of the Republic of Serbia (RS Official Gazette 129/07);

These laws are fully harmonized with the new Serbian Constitution and with the European Charter on Local Self-Government and reflect Serbia's readiness and capacity to follow the EU legal institute development and adjust its regulations to the possible extent, given the specificities of its own legal system and the present circumstances.

The system of local self-government in the Republic of Serbia is arranged by the Law on the Local Self-Government (RS Official Gazette 129/07). This Law comprehensively and systematically arranges the issues of importance for local self-government system. The fact that this Law identifies a broad range of original competences of local self-government units is especially important, as it provides conditions for strengthening decentralization process. The Law also provides execution of certain public administration affairs to be entrusted with all or certain local self-government units. The system established by this Law is entirely aligned to the European Charter on Local Self-Government which our country has signed and ratified.

The provisions of Article 190 of the Constitution define part of affairs done by the municipality, within its competences and through its bodies, in accordance with law. The complexity and importance of affairs listed in Paragraph 1 of this Article, points 1 to 7, determine not only the criteria for forming a municipality (which is primarily a matter of territorial organization), but also the principles on which municipal authority will be organized. Thus, every municipality must be capable of performing its duties in an efficient and quality way and to take care of accommodating the needs of its citizens. This circumstance considerably influences the formulation of all institutes that should provide efficient and autonomous local government. That means, on the other hand, that the responsibility of local authorities is significantly enhanced, because in accordance with the Constitution, but also with generally accepted principles and standards in local self-government, the citizens' right to local self-government is liable only to the supervision of constitutionality and lawfulness.

Thus, with adoption of the new Law on Local Self-Government, in accordance with the new constitutional arrangements and results of analyzing the functioning of local self-government bodies by the now defunct law, changes have been introduced into local self-government system providing more efficient exercising of constitutionally guaranteed right of local self-government, stability and responsibility of local authorities and de-politicization and professionalization of administrative units.

The Constitution of the Republic of Serbia establishes the citizens' right to local self-government, which the citizens exercise directly or through their freely elected representatives (Article 176 Paragraph 1 of the Constitution). By the Law on Local Elections, councilors of local self-government units are elected by direct ballot, to four-year term of office, and the electoral system is proportional. The new Constitution establishes a new system in organizing local-level authority, since the local assembly is now the highest body of local self-government unit (Article 180, Paragraph 4 of the Constitution). Thus the Law on Local Self-Government envisages indirect way of electing executive bodies of local self-government units. The goal of this arrangement, entirely in accordance with the European Charter, is primarily to provide stability of local-level authority. The document of Council of Europe's Local and Regional Authorities Congress, named Recommendations 151 (2004) on advantages

and disadvantages of direct election of executive power representatives against the backdrop of the European Charter on Local Self-Government show that in 2004 a bigger number of the CoE member states were in favour of indirect way of electing executive power.

With adoption of the Law on Capital City, the position of the Capital, as a special unit of local self-government, for the first time is arranged by a special law, since the new Constitution envisages such an arrangement. The Constitution also underlines the special regulatory importance of the City of Belgrade's Statute, which indirectly means that the Capital has a great autonomy in regulatory arrangement of its own position. Accordingly, Belgrade has broader competences than all other local self-government units, and the scope of affairs will certainly be additionally broadened by adoption of special laws in various areas. Like in other self-government units, the city councilors are directly elected, and the city council itself elects the executive branch. Both the Constitution and the Law stipulate that the Capital have city districts, organized for more efficient and economical performance of certain competences, but they are not local self-government units. All the issues related to city districts are arranged in detail by the City Statute.

By the Law on Territorial Organization of the Republic of Serbia, it consists of towns and cities as territorial units where local self-government is exercised, the City of Belgrade as a separate territorial unit, and the autonomous provinces as a form of territorial autonomy. By this Law, the Republic of Serbia has got 150 municipalities, 23 towns and the city of Belgrade. That means that 19 former municipalities got the status of town, since their overall potential and existing capacities are very important for development of larger surrounding area. The increase of the number of towns, which by the new Constitution can have new and broader competences vis-à-vis municipalities, can significantly contribute to an even development of the country. The novelty of the Law is introduction of mandatory advisory referendum before every change in a municipality's territory, where inhabitants of the territory affected by the proposed change vote.

In the forthcoming period it is planned to draft laws that will regulate rights and duties of staff in administrative units of local self-government, similarly as for civil servants on the central level, and to draft laws on communal police, the formation of which is envisaged by the new Law on Local Self-Government.

Fiscal decentralization is in progress, and to wrap up the whole process a special law will be passed to regulate the issues of local self-government's property.

THE EUROPEAN PARTNERSHIP PRIORITIES:

Key priorities:

Continue the efforts toward public administration reform implementation;

After adoption of the envisaged legislation in the area of civil service system, public administration, but also decentralization, public administration reform in Serbia is carried on with activities expected to provide full enforcement of all principles defined by the Public Administration Reform Strategy of the Republic of Serbia. Implementation of second phase of the project "Support to Public Administration Reform Strategy of Serbia" by the Ministry of Public Administration and Local Self-Government has started recently, in cooperation with the UN Development Programme – UNDP, and it will last by August 2009. Within this project, the Action Plan for Public Administration Reform Implementation will be revised, in order to adjust it to new needs in further course of the reform. That project envisages additional popularization of the public administration reform process, as well as the activities geared to rationalization of public administration through analysis of the organization chart of MDULS and two

pilot ministries. The project is funded by the donation of Swedish Agency for International Development Cooperation and the British Department of International Development, and its budget is 1.85 million euros.

Provide transparent recruitment and promotion as well as professionalism and responsibility.

Transparent recruitment and promotion are provided by the Law on Civil Servants, which defined in detail the public administration recruitment procedure, as well as pre-requisites for promotion. The margin for managers' arbitrary decisions has been significantly narrowed, as each decision on recruitment and promotion must be preceded by check of criteria defined by law. Professionalism is enhanced by de-politicization of public administration enveloped in the Law on Civil Servants, and by development of systematic training for civil servants provided by formation of the Human Resources Management Service.

Short-term priorities:

Adopt a law regulating freedom of association and legal status of NGOs; encourage development of civic society organizations and regularly consult them on political initiatives.

The proposed law on associations, which will comply with another obligation that Serbia took over with the accession to the Council of Europe (opinion 239 of the Parliamentary Assembly of the Council of Europe), was accepted by the Government on 11th October 2007 and submitted to the National Assembly for adoption on 12th October.

This law's provision will considerably encourage development of civic society organizations in Serbia, given that many deficiencies and obstacles to forming associations that now exist in law are removed by the proposed Law on Associations (e.g. the necessary number of founders is changed from 10 to 3, legal entities can be founders, foreign associations can be registered, etc.).

In drafting the Law on Associations the civic sector was not only consulted but had its representatives in the working group for drafting this law. The Law on Associations will make an excellent starting point for establishment of partnership relations between the government and NGO sector.

Mid-term priorities:

Continue full implementation of the Law on Civil Servants and the Law on Public Administration;

In the forthcoming period, adequate implementation of the Law on Civil Servants and the Law on Public Administration will continue, as well as activities related to public calls for vacancy positions.

Reinforce the capacities for shaping policy and coordination of work in local-level administrations;

Activities in implementation of bigger number of programmes and projects for support to local authorities will continue, regarding training of staff in local administrations, in order to reinforce their capacities in policy making, project and programme preparation and implementation. These projects are mainly funded by foreign donations.

Enforce constitutional provisions referring to decentralization and provide resources for local self-government bodies.

In late 2007 four laws in the area of local self-government were adopted, with consistently applied constitutional provisions pertaining to decentralization:

5. The Law on Local Self-Government (RS Official Gazette 129/07);

6. The Law on Local Elections (RS Official Gazette 129/07);
7. The Law on Capital City (RS Official Gazette 129/07).
8. The Law on Territorial Organization of the Republic of Serbia (RS Official Gazette 129/07);

The next activities of MDULS refer to drafting laws that will regulate rights and duties of local self-government staff in a way similar to that for civil servants on the central level, and to drafting the law on communal police.

Fiscal de-centralization is in progress, and the crown of that process in the forthcoming period is the planned adoption of a special law to regulate the issue of local self-government property.

1.1.5. Electoral System

The present Law on the elections of representatives (Official Gazette of the Republic of Serbia No. 35/00, 69/02, 57/03, 72/03, 18/04, 85/05, 101/05 and 109/06) implies proportional electoral system.

Citizens shall elect representatives on the basis of free, universal, equal and direct suffrage, by secret ballot.

The National Assembly of Republic of Serbia consists of 250 representatives, elected for a period of four years.

Representatives are elected in the Republic of Serbia, as a single constituency, on the basis of lists of political parties, coalitions of parties, other political organizations and lists submitted by groups of citizens.

Seats for representatives are apportioned in accordance with the number of votes obtained.

Suffrage as used in this Law includes the right of citizens to the following, in the manner and according to procedures determined by this Law: to elect and to be elected; to nominate candidates and to be nominated as candidates; to make decisions concerning both nominated candidates and electoral lists; to publicly ask nominated candidates questions; to be on time, truthfully, completely and impartially informed about both the programs and activities of submitters of electoral lists and of the candidates on those lists, as well as to make use of other rights foreseen by this Law.

The right to elect a representative, as well as to be elected as a representative, shall have a citizen domiciled on the territory of the Republic of Serbia, who is at the same time a citizen of the Republic of Serbia, who is over 18 years of age and has the working capacity.

In the Republic of Serbia the general electoral rolls are conducted by electronic devices on territories of municipalities, as a part of the uniform, connected system. Changes in the electoral rolls on the municipal territory are kept by municipal agencies as a delegated task.

The authorities carrying out the elections are autonomous and independent in their work, and operate on the basis of laws and regulations made on the basis of the Law. The authorities are: Republic Electoral Commission and polling boards.

The permanent makeup of the Republic Electoral Commission consists of the President and sixteen members named by the National Assembly of the Republic of Serbia, while the expanded makeup includes one representative of each submitter of the electoral list.

The Republic Electoral Commission:

- 1) oversees the legality of the elections;
- 2) organizes technical preparation for the elections;
- 3) follows the application and give explanations in regard to the application of this Law;
- 4) sets down unified standards for election materials;
- 5) sets down the forms and regulations for carrying out election procedures foreseen by this Law;
- 6) sets down the kind of a spray that will mark the voter's right index finger as a token of that voter's

voting process completion;

- 7) determines and publishes in the Official Gazette of the Republic of Serbia both number and addresses of polling stations, not later than 20 days before the day set for holding of elections;
- 8) forms polling boards and appoints the presidents and members of the polling boards;
- 9) determines the number of ballots for each polling station, stamps them and together with an authorized extract from the electoral roll, hands them over in notarized procedure to the polling boards;
- 10) determines which election documents shall be sent to it;
- 11) determines whether the electoral list has been compiled and filed in accordance with the Law and proclaims it;
- 12) makes ruling on the proclamation of electoral list;
- 13) determines the manner of both keeping and handling of election materials;
- 14) determines and publish the total results of the elections;
- 15) determines the number of seats belonging to each electoral list;
- 16) submits a report to the National Assembly of the Republic of Serbia on the elections carried out;
- 17) submits data to the authorities responsible for gathering and processing of statistical data;
- 18) performs other duties foreseen by the Law. The Republic Electoral Commission issues a book-rule on its work.

The permanent makeup of a polling board consists of: the president and at least two members, while the expanded makeup includes one representative of each submitter of an electoral list. Both the president and members of polling boards have deputies.

The polling board carries out the election directly at the polling station, ensures the regularity and secrecy of voting, determines the outcome of the voting at the polling station and carries out the other duties foreseen by the Law. The polling board is responsible for maintaining order at the polling station in the course of the voting. Further rules on the work of the polling boards are set down by the Republic Electoral Commission.

Candidates can be put forward, under the conditions set down by the Law, by registered political parties, coalitions of parties and other political organizations, individually or jointly, as well as by groups of citizens.

For every four candidates on the electoral list (first group of four places, second group of four places and so on until the end of the list) there shall be one candidate of the gender less represented on the list, and the number of candidates of the gender less represented on the list shall be at least 30% of the total number. If an electoral list should not meet these conditions, it shall be deemed incomplete for proclamation, and the submitter of the list shall be called to remedy the deficiencies of the list, in accordance with the present Act. If the submitter of the list should not remedy the deficiencies, the Republic Electoral Commission shall refuse to proclaim the electoral list, in accordance with the present Act.

Only electoral lists which have gathered not less than 5% votes of voters who have voted in the constituency take part in the apportioning of the seats. Political parties of ethnic minorities and coalitions of political parties of ethnic minorities participate in the distribution of seats even when receiving less than 5% of the total number of votes.

The Republic Electoral Commission apportions seats by applying the system of largest quotient. The seats are apportioned by dividing the total number of votes received by each separate electoral list by numbers from one to 250 inclusive. The quotients thus arrived at are sorted by size, and the 250

largest quotients are taken into account. Each electoral list is apportioned a number of seats correspondent to the number of quotients of this kind it has.

Every voter, candidate for representative and submitter of the electoral list have the right to protection of his electoral rights, under the procedure foreseen by the Law.

Every voter, candidate and submitter of electoral list has the right to file an appeal with the Republic Electoral Commission because of infringements of electoral rights during the elections, or because of irregularities in the procedure of candidacy or voting. An appeal against a decision, act or mistake by a polling board is filed with the Republic Electoral Commission. An appeal is filed within 24 hours of the making of the decision or of the execution of the act which the filer of the appeal deems irregular, or from the moment when the mistake has been made.

The Republic Electoral Commission makes a ruling within 48 hours of the moment of receipt of the appeal, and delivers it to the plaintiff. If the Republic Electoral Commission endorses the appeal, it shall annul the relevant decision or act. If the Republic Electoral Commission does not make a ruling on the appeal within the period specified by the Law, the appeal shall be considered endorsed.

An appeal against a ruling of the Republic Electoral Commission rejecting or refusing the appeal may be lodged with the Supreme Court of Serbia. This appeal shall be lodged through the Republic Electoral Commission within 48 hours of receipt of the ruling. The Republic Electoral Commission is bound to hand over the appeal and all required documents to the Supreme Court of Serbia within 24 hours from the moment of receipt of the appeal. The Supreme Court of Serbia shall rule on the appeal according to provisions of the law regulating the procedure in administrative cases. A ruling on the appeal shall be made not later than 48 hours after the receipt of the appeal and accompanying documentation. The ruling on the appeal goes immediately into effect and neither requirement for extraordinary revision of the court ruling, nor requests for repeated proceedings, foreseen by the Law on administrative procedure, can be filed against it. If the Court endorses this appeal, the relevant electoral act, or elections, shall be repeated at the latest within 10 days.

The basic content of the present Law on the elections of representatives (Official Gazette of the Republic of Serbia No. 35/00) was ratified by the National Assembly in 2000 and according to that Law the election for representatives took place in December 2000. In the course of both the 2000 and 2003 elections execution, number of Law ailments was observed. They were namely related to a voting opportunities deprivation of certain voters' categories which was actually a deprivation of their constitutionally protected right to vote (persons residing abroad, persons with disabilities, persons in custody or serving a prison sentence), old-fashion way of administrating voters lists lacking the accuracy and updating, difficult working process of authorities carrying out the elections that comprised only the relation between Republic Electoral Commission and polling boards, insufficient regulations regarding media presentation of the election candidates, etc. In addition, there were no special regulations articulated regarding the participating and **apportioning of the seats** of the national minorities' political organizations and groups of citizens.

The Act amending the Act of the election of representatives (Official Gazette of the Republic of Serbia, No. 18/04) reduced the number of these ailments. The amending Act activates the voting right and regulates the voting process for the persons residing abroad, enables persons with disabilities to vote outside the polling stations as well as the persons in custody or serving a prison sentence. New opportunities are being provided for checking, correcting and modifying electoral rolls and the eliminatory threshold for national minorities' political organizations and groups of citizens is being abandoned.

Further activities in developing electoral legislation are articulated in the document's part related to future priorities.

President of the Republic

President of the Republic expresses the governmental unity of the Republic of Serbia.

President of the Republic:

1. represents the Republic of Serbia in the country and abroad,
2. pronounces laws by decree,

3. proposes the prime minister designate to the Serbian Parliament, after obtaining the opinions of representatives of the elected tickets,
4. proposes the candidates for office to the Serbian Parliament, in accordance with the Constitution and the law,
5. appoints and recalls ambassadors of the Republic of Serbia, by decree and on the basis of proposals from the government,
6. receives the credentials and letters of recall of foreign diplomatic representatives,
7. grants pardons, presents decorations
8. performs other tasks regulated by the Constitution.

In accordance with the law, the President of the Republic is in command of the military and appoints, promotes and recalls officers of the Army of Serbia.

The mandate of the President of the Republic lasts for five years, beginning from the day when he takes the presidential oath before the Serbian Parliament. If the mandate of the President of the Republic expires during a state of war or emergency, it is extended till three months after the end of the state of war or emergency.

No one may be elected President of the Republic more than twice.

The mandate of the President of the Republic ends with the expiry of the term in office for which he was elected, or with his resignation or impeachment. The President of the Republic submits his resignation to the Speaker of the Serbian Parliament. The President of the Republic is impeached if he violates the Constitution, by the Serbian Parliament, with the minimum majority of two thirds. The impeachment procedure can be initiated by the Serbian Parliament, on the initiative of at least one third of the deputies. Upon the initiation of the impeachment procedure, the Constitutional Court is obliged to pronounce whether a violation of the Constitution exists, within 45 days at the latest.

In accordance with The Constitution of the Republic of Serbia and the Constitutional Law for Implementing the Constitution of the Republic of Serbia, in the end of 2007 Law on the President of the Republic ("Official Gazette RS", No. 111/07) and Law on Elections for the President of the Republic ("Official Gazette RS", No. 111/07) are being ratified and harmonized with the constitutional regulations for presidential election and mandate termination, as well as with duties and authority of the president.

The President of the Republic is elected for a term of five years.

Law on Elections for the President of the Republic determines that President of the Republic of Serbia is chosen in direct elections, by secret vote.

The right to vote for the President of the Republic and stand for election as the President of the Republic has every person of legal age and with working capacity holding the citizenship of the Republic of Serbia

The election for the president of the Republic is called by the Speaker of the National Assembly by a Decision promulgated in the "Official Gazette of the Republic of Serbia".

A candidate for the President of the Republic may be nominated by a political party registered in the Republic of Serbia prior to the day when the Calling of Election Decision was promulgated in the "Official Gazette of the Republic of Serbia", coalition of political parties and by a citizens' group. The citizens' group is established in accordance with a written agreement by at least ten voters whose signatures must be verified by court and the citizens' group shall not require a name.

The nomination of the candidate may be submitted only if it is supported by at least 10 000 voters' signatures verified by court.

The candidate who receives the majority of votes cast by the voters that voted shall be elected President of the Republic. The number of voters who voted shall be determined according to the number of ballot papers found in a ballot box.

If none of the candidates receives the majority of votes of the voters who voted, the ballot shall be repeated within 15 days of the first election day.

The two candidates that received the largest number of votes cast shall participate in the repeated ballot. More than two candidates shall participate in the repeated ballot if there are more candidates who share the first or the second place.

The candidate who receives the largest number of votes in the repeated ballot for the President of the Republic, shall be elected. If the candidates receive equal number of votes in the repeated ballot, the vote shall be repeated within 15 days.

Priorities

The key priority regarding the electoral legislation development is ratifying the Electoral Register Law introducing General Electoral Register in order to improve the correct data record within the comprehensive data base.

Ratification of the Law on the elections of representatives will also take place and will introduce first instance electoral commissions which will improve the efficiency of the authorities carrying out the election process, regulate the involvement of the local and international observers, eliminate the present electoral legislation ailments and make the formal and legal harmonization with The Constitution of The Republic of Serbia.

The future ratification of the Law on electoral campaigning will introduce the rules for and assure the correct electoral campaigning.

It is expected that the stated laws that will complete the legislative electoral reform and harmonization with the new constitutional demands, will be ratified within the one year period.

Financial support for this process would be provided from the budget and will be estimated only after the legislative solutions are being articulated, which is already in the process of realization.

1.1.6. Justice System

1.1.5.1. Status

Constitution of the Republic of Serbia regulates in Articles 142 - 152 courts and status of judges in the Republic of Serbia. Judicial system is regulated by the following laws: Law on Organization of Courts ("Official Gazette of the Republic of Serbia", No. 46/2006), Law on Constitutional Court ("Official Gazette of the Republic of Serbia", No. 109/07), Law on the Seats and Territories of Courts and Public Prosecutions ("Official Gazette of the Republic of Serbia", No. 42/2002), Law on Public Prosecution ("Official Gazette of the Republic of Serbia", No. 106/2006), Law on High Judicial Council ("Official Gazette of the Republic of Serbia", No. 61/2005), Law on Judges ("Official Gazette of the Republic of Serbia", No. 63/2001, 42/2002, 17/2003, 25/2003, 27/2003, 29 /2004, 35/2004, 44/2004, 61/2005, 101/2005 and 46/2006) and Law on Training of Judges, Public Prosecutors, Deputy Public Prosecutors and Judicial and Prosecutorial Assistants ("Official Gazette of the Republic of Serbia", No. 46/2006).

Law on Organization of Courts ("Official Gazette of the Republic of Serbia", No. 46/2006) stipulates principles related to execution of judicial power and establishment of courts. This law

determines external organization of courts (types of courts), extent of authority and permanency of courts, jurisdiction of courts, interior organization of courts, tasks comprising court administration, categories and number of staff, tasks comprising judicial administration, court security and funds for the work of courts.

Law on Constitutional Court ("Official Gazette of the Republic of Serbia", No. 109/2007) came into force on December 6, 2007. This Law regulates organization of the Constitutional Court, procedure before the Constitutional Court and legal effect of its decisions. After passing of the law, 10 judges of the Constitutional Court were elected, took oath and entered upon their office on December 12, 2007; thus, the Constitutional Court was constituted in compliance with paragraph 3 Article 9 of the Constitutional Law on Implementation of the Constitution of the Republic of Serbia. The first session of the Constitutional Court, when the President of the Constitutional Court was elected, was held on December 26, 2007, by which the Constitutional Court began its operations.

By Law on the Seats and Territories of Courts and Public Prosecutions ("Official Gazette of the Republic of Serbia", No. 42/2002) municipal, district and commercial courts have been established; their seats and jurisdiction determined; and specified municipal courts, from jurisdiction of the same district court, which proceed and take decisions related to certain legal matters within the municipal courts jurisdiction. This law determines territories of appellate courts, establishes municipal and district public prosecutions and determines their seats and territories.

The Law on Public Prosecution ("Official Gazette of the Republic of Serbia", No. 106/2006) regulates principles related to public prosecution as independent state body, which prosecutes perpetrators of crimes and other felonies, and protects by filing legal remedies constitutionality and legality, and undertakes all actions within the competence of the public prosecutor's office. This law regulates public prosecution, superior authority issues, competence, administration in public prosecutor's offices, rank of public prosecutors and deputy public prosecutors, election method and termination of office.

The Law on High Judicial Council ("Official Gazette of the Republic of Serbia", No. 61/2005) establishes the High Judicial Council, determines members of the High Judicial Council, mandate in the High Judicial Council, rank of judges and Public Prosecutor in the High Judicial Council, composition of the High Judicial Council, method of taking decisions in the High Judicial Council as well as issues related to Rules of Procedure of the High Judicial Council.

The Law on Judges ("Official Gazette of the Republic of Serbia", No. 46/2006) determines basic principles related to adjudicating and rendering judgements, status of judges, method and procedure for election of judges, termination of office, issues related to position of the President of Court and lay judges.

The Law on Training of Judges, Public Prosecutors, Deputy Public Prosecutors and Judicial and Prosecutorial Assistants ("Official Gazette of the Republic of Serbia", No. 46/2006) regulates types and method of training of judges, public prosecutors and deputy public prosecutors and judicial and prosecutorial assistants.

The National Assembly adopted on May 25, 2006, the National Judicial Reform Strategy. The Government adopted the Action Plan for Strategy Implementation in July 2006. Main goal of the National Strategy is establishment of the rule of law and legal certainty through reform of judicial bodies and judiciary as a whole, to preserve and build public trust in the judicial system of the Republic of Serbia, and make further progress toward approaching the European Union. According to the National Judicial Reform Strategy, effective judiciary relies on four key principles: independence, transparency, accountability and efficiency.

INDEPENDENCE	TRANSPARENCY	ACCOUNTABILITY	EFFICIENCY
	Open process of election,	Clear standards for	

Independent governing	promotion, responsibility and termination of judicial office	evaluation of successful adjudicating and rendering judgments and work results	Better approach to judiciary
Independent budget body	Adequate access to information from court records and procedures	Efficient management of court cases	Standardized training system and professional continuous education of the employees
Independent determining of general framework and interior organization and operation of courts	Improved relations with the public and public participation	Efficient use of resources in judiciary and prosecution	Modern court network

The National Strategy determines a 6-year period (2006 – 2012) for implementation of reform objectives and establishment of judiciary to meet the needs of new social values.

The Penal Reform Strategy was adopted in 2005. The basic task of the Strategy is to hold each prisoner safely and securely, in humane conditions, in line with international standards; to promote the use of non-custodial sanctions to punish and rehabilitate offenders, and to reduce re-offending by prisoners after release. Directorate for Penal Execution has determined its priorities in the period from 2005 till today, which relate to harmonization of legislative framework with international standards; establishing of organizational pre-conditions for execution of alternative sanctions; training and professional continuous education of the employees; building of a separate penal facility for criminal offences with elements of organised crime; new approach to treatment of prisoners and individualization of treatment programmes; exercising of rights and protection of rights of the prisoners; special juvenile programmes, improvement of health care and conditions in prisons.

Systemic laws in the criminal law and civil law field are as follows: Criminal Code ("Official Gazette of the Republic of Serbia", No. 85/2005, 88/2005 and 107/2005), Criminal Procedure Code ("Official Gazette of the FRY", No. 70/2001 and 68/2002, and "Official Gazette of the Republic of Serbia", No. 58/2004, 85/2005, 115/2005, 46/2006 and 49/2007), Law on Enforcement of Penal Sanctions ("Official Gazette of the Republic of Serbia", No. 85/2005), Law on Juvenile Criminal Offenders and Criminal Protection of Juveniles ("Official Gazette of the Republic of Serbia", No. 85/2005), Law on Minor Offences ("Official Gazette of the Republic of Serbia", No. 101/2005), Civil Procedure Code ("Official Gazette of the Republic of Serbia", No. 125/2004), Law on Enforcement Procedure ("Official Gazette of the Republic of Serbia", No. 125/2004); and Law on Mediation ("Official Gazette of the Republic of Serbia", No. 18/2005).

The new Criminal Procedure Code ("Official Gazette of the Republic of Serbia", No. 46/06) was adopted by the National Assembly on May 25, 2006. Passing of this Code created the necessary legal environment for faster criminal procedures, efficient crime combating and coherent protection of human rights and freedoms of participants in criminal proceedings guaranteed by the Constitution and international acts. Criminal Procedure Code foresees introducing of prosecutor's investigation, whose implementation requires meeting of financial and technical conditions. The Code foresees new solutions which expand authorizations and change the role of the public prosecutor; introduces new evidence acts; regulates more specifically and broadly special evidence acts; introduces new measures of providing presence of the defendant in the form of prohibition of abandoning a certain place, as well as other restrictions. The National Assembly adopted on May 29, 2007, the Law on Amendment of the Criminal Procedure Code, which delays applying of the new Criminal Procedure Code till December 31, 2008.

Within the judiciary reform in Serbia the new Law on Enforcement of Penal Sanctions came into force on January 1, 2006, in full compliance with the European trends aimed at continuous raising of the protection level of prisoner rights, incorporating by its provisions the basic principles of the European Prison Rules as well as Recommendations and Standards of the Committee for the Prevention of Torture

and Inhumane or Degrading Treatment or Punishment (CPT). This law introduces for the first time two-level protection of prisoner rights within the directorate; court protection is foreseen; possibility of control by state bodies out of the execution system has been enabled as well as independent controls by different domestic and international organizations and bodies.

1.1.5.2. Short-Term Priorities

1.1.5.2.1. Legislation

At the beginning of 2008, a set of laws in the judiciary field was drafted: Law on Organization of Courts, Law on Judges, Law on the High Judicial Council, Law on Public Prosecution, Law on the State Prosecutors Council, Law on the Seats and Territories of Courts and Public Prosecutions. The Council of Europe expertise was obtained as well.

The new Law on Organization of Courts determines in detail jurisdiction of the High Judicial Council and the Ministry of Justice in relation to judicial administration affairs. It should be highlighted that certain tasks, till now within competence of the Ministry of Justice (for example, keeping of judges' personal records), shall be taken over by the High Judicial Council. It should be also emphasized that this law envisages the division of competences of these two bodies as follows: High Judicial Council shall become a direct executor of the Budget of the Republic of Serbia in the part which relates to salaries of judges and material cost for court operations. This shall ensure complete financial independence of courts. Furthermore, the law envisages that the High Judicial Council has its administrative office; thus, the Ministry of Justice shall not perform any more professional and administrative tasks for this body, as it had been determined by the former Law, which shall be abrogated by introducing of the new law.

The draft version of the new Law on Judges stipulates in detail election of judges and conditions to be fulfilled when performing judicial function. It should be particularly highlighted that the law precisely stipulates conditions for election of judges. Criteria and standards for evaluation of these conditions are determined by the High Judicial Council. Obligatory evaluation of the work of judges is regulated as well and expressed through grades. Evaluation of the work of judges is taken into consideration on the occasion of the election of the judge for permanent judicial function, election for superior court, suspension, but also for increasing or reducing salary amounts. Special novelty to be introduced by the new Law on Judges is introducing of disciplinary procedure for judges. The Law stipulates what is a disciplinary offence; disciplinary sanctions have been determined as well as disciplinary procedure and bodies for conducting disciplinary procedures. The Law envisages that bodies for conducting disciplinary procedures are Disciplinary Prosecutor and Disciplinary Commission, whose composition is determined by the High Judicial Council. Judge in disciplinary procedure has right of defence. Judge against whom disciplinary procedure is held, has the right of defence and solicitor as well as right to appeal to the High Judicial Council against decision of the Disciplinary Commission.

Article 153 of the Constitution determines status, constitution and election of the High Judicial Council. This article of the Constitution stipulates that the High Judicial Council is an independent and autonomous body which shall provide for and guarantee independence and autonomy of courts and judges. In Article 154 of the Constitution jurisdiction of the High Judicial Council is determined as follows: to appoint and relieve of judges, to propose to the National Assembly the election of judges in the first election to the post of judge; to propose to the National Assembly the election of the President of the Supreme Court of Cassation as well as presidents of courts; and participate in the proceedings of terminating the tenure of their office.

In compliance with the obligation from Articles 5, 6 and 7 of the Constitutional Law on Implementation of the Constitution, in the Ministry of Justice draft version of the Law on High Judicial Council has been drafted, in order to elaborate Constitutional provisions related to this body. Expertise of the Venice Commission of the Council of Europe was obtained. Among solutions envisaged by the

mentioned law, solution related to proposal of candidates to the National Assembly for election of electoral members of the High Judicial Council should be particularly emphasized. Candidates from among judges are proposed on the basis of election procedure where the judges vote for candidates directly, by secret ballot, two candidates obtaining the largest number of votes from each list of candidates shall be proposed to the National Assembly, which must elect one of the candidates. It is envisaged that there are six lists of candidates (for each electoral member from among judges there is one list), which represent certain instance, i.e. type of court. As far as electoral members from among lawyers and professors of the Law School are concerned, it is envisaged that the Serbian Bar Association and general session of the Law School professors propose two candidates each. The National Assembly must elect one of two proposed candidates in this case as well.

Constitution of the Republic of Serbia regulates status, jurisdiction, establishment and organization of the Public Prosecutor's Office. Draft version of the new Law on Public Prosecution has been drafted, and expertise from the Council of Europe obtained. The new Law on Public Prosecution elaborates in detail method of election of public prosecutors and deputy public prosecutors as well as conditions for exercising these terms of office. It should be particularly emphasized that the Law specifies conditions for election of public prosecutors, i.e. deputy public prosecutors. When proposing election of candidates for exercising the public prosecutor term of office, the State Prosecutors Council takes into consideration competence, qualification and worthiness of the candidate as well as rules for the evaluation of work of public prosecutors and deputy public prosecutors. Furthermore, the new law regulates obligatory evaluation of work of public prosecutors, i.e. deputy public prosecutors, which is expressed through grades. Evaluation of work of public prosecutors, i.e. deputy public prosecutors is basis for election, promotion, relief from duty and initiating disciplinary procedure. Special novelty to be introduced by the new Law on Public Prosecution is disciplinary procedure for public prosecutors, i.e. deputy public prosecutors. The Law stipulates what is a disciplinary offence, disciplinary sanctions are determined as well as disciplinary procedure and bodies for conducting disciplinary procedures. The Law envisages that bodies for conducting disciplinary procedures are Disciplinary Prosecutor and Disciplinary Commission, whose composition is determined by the State Prosecutors Council.

As far as relations of the State Prosecutors Council and Ministry of Justice are concerned, we would like to emphasize that the new Law on Public Prosecution stipulates that certain tasks, which had been within the competence of the Ministry of Justice (for example, keeping of prosecutors' personal records) are to be taken over by the State Prosecutors Council. It should be particularly emphasized that this law envisages the division of competences of these two bodies as follows: State Prosecutors Council shall become a direct executor of the Budget of the Republic of Serbia in the part which relates to salaries of public prosecutors and material cost for the Public Prosecutor's Office operations.

Article 164 of the Constitution determines status, constitution and election of the State Prosecutors Council. This Article of the Constitution stipulates that the State Prosecutors Council is an autonomous body which shall provide for and guarantee the autonomy of Public Prosecutors and Deputy Public Prosecutors. Article 165 of the Constitution determines jurisdiction of the State Prosecutors Council as follows: to elect the Public Prosecutor and decide in the proceedings of termination of Public Prosecutors' tenure of office; to propose to the National Assembly candidates during first election for the Deputy Public Prosecutor; to propose to the Government candidate for the Republic Public Prosecutor and other public prosecutors.

Draft version of the Law on the State Prosecutors Council has been made, for which expertise of the Council of Europe was obtained. Among solutions stipulated by the mentioned law, solutions related to proposing of candidates to the National Assembly for election of electoral members of the State Prosecutors Council should be emphasized. Candidates from among public prosecutors, i.e. deputy public prosecutors are proposed on the basis of electoral procedure, in which public prosecutors, i.e. deputy public prosecutors vote for candidates directly, by secret ballot, of whom two candidates for one place in the State Prosecutors Council, obtaining the largest number of votes, shall be proposed to the

National Assembly, which must elect one of the candidates. As far as electoral members from among lawyers and professors of the Law School are concerned, it is envisaged that the Serbian Bar Association and general session of the Law School professors propose two candidates each. In this case as well, the National Assembly must elect one of two proposed candidates. Drafting of the Law on the Seats and Territories of Courts and Public Prosecutions, which regulates network of judicial bodies (PEP) in the Republic of Serbia and their territorial jurisdiction, is underway .

Passing of the unique law package on judiciary is of special importance for the judicial reform, primarily for establishing new judicial institutions (Higher Minor Offences Court). This will significantly contribute to improving of efficiency and disburdening current court network.

New laws envisage establishment of independent judicial budget as well as determining of clear and measurable criteria for election, promotion, disciplinary procedure and dismissal of judges and prosecutors, to be applied by the High Judicial Council and State Prosecutors Council in evaluating work of judges and prosecutors.

Criminal and Civil Law

Amendments and Supplements of the Civil Procedure Code are underway, which should contribute to more efficient judicial procedures and enable better conditions for adjudicating and rendering judgements in a reasonable term, and to eliminate deficiencies in legal practice, which have appeared during application of the Civil Procedure Code passed in 2004.

Beside adoption of a set of laws in the field of criminal and civil law, as short-term priority, adoption of the following laws is being planned:

Law on Penal Liability of Legal Entities; Law on Amendments and Supplements of the Law on Juvenile Criminal Offenders and Criminal Protection of Juveniles; Law on Seizure of Property Obtained by Criminal Offence; Law on Ratifying of the Convention on Cyber Crime and accompanying Protocol; Law on Amendments and Supplements of the Law on Enforcement of Penal Sanctions; Law on Enforcement of Detention in Special Detention Units and Execution of Penitentiary Sanctions in Special Prison Departments; Law on Attorneys at law; Law on Notaries Public; Law on Juridicial Examination; Law on the National Institute for Judicial Training; and the Law on Bona Fide Legal Services. Amendment of the Criminal Code and the Law on Mediation is being planned.

Public Notary

Ministry of Justice formed in December 2007 a Working Group to deal with the development of the Law on Notaries Public. The Law is expected to be adopted till the end of 2008. This law regulates public notary organization; conditions for performing of the public notary activity; rights and obligations of public notaries; suspension of a public notary; issuing and authentication of documents by notary public; notary public documents and bookkeeping; disciplinary liability of notaries, Chamber of Notaries Public; notary public rates and notary public supervision.

Solving Cold Cases

In Serbia there are currently Framework Criteria for Determining Number of Judges in the General Competence Courts and Special Courts ("Official Gazette of the Republic of Serbia", No. 61/06), which stipulate number of cases to be solved by a judge according to their legal substance and type of court (municipal, district, commercial, appellate, Administrative, Supreme Court of Cassation). In 2009 evaluation of judges should be improved by establishing of the so called "ponder system", which should improve and enable more clear evaluation of each individual judge. Furthermore, in the new set of laws precisely determined criteria shall be stipulated for promotion of judges, disciplinary liability and suspension of judges, based on work of each individual judge, which shall significantly contribute to increased liability and efficiency of judges.

In this set of laws concrete solutions for speeding up and solving of cold cases by engaging retired judges are envisaged. High Judicial Council may prolong years of service for a judge only in cases when this is necessary to solve the initiated cases as well as solving of cold cases when decision has not been taken for more than two years.

Significant endeavours are made for better and more complete training of judges in order to enable acquiring of knowledge and their continuous education as well as greater efficiency and work quality. The Law on Training of Judges, Public Prosecutors, Deputy Public Prosecutors and Judicial and Prosecutorial Assistants ("Official Gazette of the Republic of Serbia", No. 46/06) was adopted, which stipulates types and methods of training for acquiring and improving theoretical and practical knowledge and skills necessary for independent, professional and efficient performing of judicial duties. Types of training are as follows: training for beginners (attended by judicial office holders before entering upon office as well as judicial and prosecutor assistants) and permanent training (attended by judicial office holders). High Judicial Council has appointed members of the Training Commission, which has determined draft beginner's training programme adopted by the High Judicial Council. Judicial Centre for Training and Improving Professional Development is responsible for training of judges. Special attention is paid to training of judges and prosecutors relating to Article 6 of the European Convention on Human Rights when fair and public hearing within a reasonable time is in question.

Mediation

Law on Mediation ("Official Gazette of the Republic of Serbia", No. 18/2005) determines rules of mediation in disputable relations, particularly the following: legal issues on ownership of natural and legal persons; commercial, family, labour and other civil law relations; administrative and criminal relations, in which parties may have free access to mediation if the law does not stipulate exclusive jurisdiction of court or other body. The law stipulates in Article 20 conditions for performing the mediation activity. One of the conditions is training for mediators organized by the Mediation Centre. This Centre was established on April 3, 2006, by the Founding Agreement concluded between the Government of the Republic of Serbia, Children Rights Centre, National Bank of Serbia and the Belgrade Bar Association. Amendment of this law has been planned as short-term priority.

Execution of Penitentiary Sanctions

In compliance with the Strategy of Execution of Penitentiary Sanctions, further efforts shall be made for solving of dominant problems: prison overpopulation, inadequate architectonic solutions of facilities, unfavourable prisoners' composition in relation to type of institutes; inadequate safety equipment and impossibility of adequate engagement of prisoners in economic units.

Construction and reconstruction of prison facilities is underway in compliance with the European standards, classification of penal institutions is adapted to specific needs of persons deprived of freedom; new forms of punishment are developed; probation system and post-penal treatment of prisoners is initiated and developed; employees are trained according to the Training Centre programmes; information system and technical protection measures are being developed.

1.1.5.2.1. Institutions

Draft version of the new Law on Organization of Courts regulates types of courts in the Republic of Serbia and their jurisdiction. The law stipulates that the courts of general jurisdiction are municipal courts, district courts, appellate courts and Supreme Court of Cassation. Courts of special jurisdiction are commercial courts, Higher Commercial Court, minor offence courts, Higher Minor Offence Court and Administrative Court. The Law envisages as novelty establishment of administrative-judicial councils in each court.

With establishment of new judicial institutions, parallel process of overall analysis on the work and burdening of courts and public prosecutions is underway, on the basis of which proposal for

rationalization of judicial and public prosecution network (PEP) shall be made. This process is of extreme importance for establishing of a new and modern judicial structure, which shall in accordance with clear principles and measurable evaluation of work enable speeding up of judicial proceedings, and surpass a great problem of the Serbian judiciary, which confronts itself, in spite of great number of judges and prosecutors, with enormous number of unsolved and cold cases.

For the beginning of work of a new judicial network, primarily the Supreme Court of Cassation, Administrative Court and appellate courts (PEP), High Judicial Council and State Prosecutors Council, it is necessary to provide material assets as well, i.e. buildings and facilities as well as equipment, which have been the reason for the delay of the court network operating. In compliance with the law it is the liability of the Ministry of Justice to provide construction of facilities and enable material-technical conditions; Ministry of Justice has fulfilled all necessary conditions for operating of the new judicial network as of January 1, 2009.

For establishment of legal order and rule of law in a state, a reliable, up-to-date and modern way of keeping the judicial statistics and case management (PEP) as well as accessibility of relevant information on the work of courts and judicial practice on the Internet is necessary. For this reason, the Ministry of Justice has made special efforts and invested substantial funds for improvement of information technologies at all system levels (PEP), till the full automatization and modernization of judicial bodies, Ministry of Justice and Administration for execution of penitentiary sanctions, on the basis of experience related to successful implementation of the SENA and LIBRA programmes in a well-thought-out, integrated and economic way.

Complete system of commercial courts as courts of special jurisdiction shall be automatized. Software has been developed and these courts are completely technically equipped. The whole system shall start operating in October 2008.

The National Judicial Reform Strategy envisages further institutional building of the Judiciary Centre and its transformation into the National Institution for Judicial Training (PEP). Since adoption of the Strategy, strengthening of capacities and preparations for transformation have been implemented. Furthermore, beside the seat of the Judicial Centre in Belgrade, regional offices in Niš and Novi Sad have been established. Judicial Centre has created in order to improve the training electronic database and a Web page to enable better overview of activities.

1.1.5.3. Middle-Term Priorities

- High Judicial Council exercises competences stipulated by law
- As far as independent judicial budget is concerned, High Judicial Council takes over full authorization for the judicial budget as of January 1, 2011
- All judges are responsible on the basis of revised standards for judicial performance with regular evaluation of their work by the High Judicial Council
- Establishment of the National data system on results of performance of judges and its optimized functioning
- Legal guidance and help in civil and criminal proceedings are provided on the basis of clear criteria on financial status
- Establishment of the National Institute for Judicial Training and its optimized functioning
- Rationalized efficient judicial network
- Notaries public, as independent judicial profession, work in compliance with the new legal framework and international standards

The Administration for the Execution of Penitentiary Sanctions operates as a unique system; facilities are built and reconstructed; legislative framework is applied in conformity with European standards; accessible information and transparency at work; functional information system; staff training;

programmes for treatment of prisoners in compliance with specific needs; alternative forms of punishment; probation system and post-penal reception of inmates.

1.1.7. Anti-Corruption Policy

1.1.6.1. Status

1.1.6.1.1. Legislative Framework

National Strategy for Combating Corruption has been determined by Decision of the National Assembly, initiated by the Ministry of Justice, and adopted in December 2005. The Strategy is in conformity with Article 5 of the United Nation Convention Against Corruption and includes all elements contained in the UN legal technical assistance guidelines for implementation of the Convention.

In compliance with obligations stipulated by the Decision, the Government of the Republic of Serbia adopted in December 2006 Action Plan on Implementation of the National Strategy for Combating Corruption. Action Plan was developed within the Twinning Project, in cooperation with the Slovenian Anti-Corruption Commission. The Action Plan elaborates detailed recommendations from the Strategy on activities, deadlines, competent bodies, risks and objectives. The Ministry of Justice is actively working on amendments and supplements of the Action Plan.

The Law on Prevention of Conflict of Interest in Discharge of Public Office ("Official Gazette of the Republic of Serbia", No. 43/2004) was adopted in 2004.

All international instrument in the combating corruption field passed by international organizations where Serbia is a member state, were adopted:

- Law on Ratifying of the United Nation Convention Against Corruption ("Official Gazette of the State Union Serbia and Montenegro - International Treaties", No. 12/2005)
- Law on Confirmation of the Civil Law Convention on Corruption ("Official Gazette of the Republic of Serbia - International Treaties", No. 102/2007)
- Law on Confirmation of the Criminal Law Convention on Corruption ("Official Gazette of the Republic of Serbia - International Treaties", No. 2/2002) and ("Official Gazette of the State Union Serbia and Montenegro - International Treaties", No. 18/2005) and
- Law on Confirmation of Additional Protocol to the Criminal Law Convention on Corruption ("Official Gazette of the Republic of Serbia - International Treaties", No. 102/2007)

The Ministry of Justice obtained the expertise of the Council of Europe on harmonization of the Criminal Code with all international standards in the filed of combating corruption.

1.1.6.1.2. Institutions

The Government of the Republic of Serbia established in July 2006 Commission for Implementation of the National Strategy for Combating Corruption and Recommendations of the Group of States Against Corruption (GRECO). The Commission's task is to prepare an Action Plan on implementation of the Strategy and monitoring of its implementation; monitoring of implementation of the GRECO recommendations.

Department of the Republic Public Prosecution for criminal prosecution of serious corruption cases was established according to Work Plan and Programme of the Republic Public Prosecution for 2008. Establishment of anti-corruption departments in the Republic Public Prosecution and District Public Prosecutions in Belgrade, Kragujevac, Niš and Novi Sad is the result of organizational changes on the initiatives of the Prosecution for enhancing capacities in combating corruption. These organizational changes were the result of recommendations of the Council of Europe for departmentalization and specialization of the Public Prosecution as well as the results of participation in the UNDP Project – Institutional Support Project for Combating Public Corruption. A list of corruptive criminal offences was made within specialization operations of the Public Prosecution. The mentioned Department shall deal with criminal prosecution of corruption cases and criminal economic offences

linked with corruption of the state officials, officials elected by the Assembly, as well as appointed and nominated officials; cases involving strong public interest; and cases in connection with close cooperation with certain ministries, which require careful coordination with other state bodies.

The Law on Prevention of Conflict of Interest in Discharge of Public Office determines establishment of the Republic Board for Solving Conflicts of Interest. Republic Board is an independent and autonomous body, and funds for its activities are provided in the Budget of the Republic of Serbia. Members of the Republic Board were elected by the National Assembly of the Republic of Serbia at the end of 2004, and the first constitutional session was held on January 18, 2005.

1.1.6.2. Short-Term Priorities

1.1.6.2.1. Legislative Framework

As short-term priority, amendment of the Criminal Code is being planned for its harmonization with the ratified international instruments.

The Law on the Anti-Corruption Agency should be adopted.

Draft version of the Law on the Anti-Corruption Agency stipulates that this Agency is an autonomous state body for combating corruption in Serbia, developed in conformity with international standards, primarily Article 6 of the United Nation Convention Against Corruption and certain GRECO recommendations. Expertise of the Council of Europe was obtained and the Draft law version amended according to expertise. The law regulates founding and activity, legal status, competence, organization and work method of the Agency; also, rules have been stipulated for prevention of conflict of interest in discharge of public office and financial disclosure statements by public officials; integrity plans have been introduced as well.

According to the Draft version of the Law, the Agency is liable, inter alia, for supervision of the implementation of the Strategy for Combating Corruption, Action Plan and sector action plans, conflict of interest issues and control of financing of political parties.

The Law includes three recommendations of the Group of States Against Corruption, related to international standards in fight against corruption:

- definition of public officials has been substantially expanded - public official is any elected, appointed or nominated official in the bodies of the Republic of Serbia, Autonomous Province, municipality, town and City of Belgrade as well as bodies of public companies, institutions and other organizations, whose founder is the Republic of Serbia, Autonomous Province, municipality, town, City of Belgrade, and any other person elected by the National Assembly;

- value of the gift, which may be accepted by the public official is reduced - public official may not retain an appropriate gift, whose value exceeds 5% of the average monthly salary in the Republic of Serbia, i.e. appropriate gifts received during the calendar year, whose aggregate value exceeds the amount of one average monthly net salary in the Republic of Serbia;

- the issue on movement of public officials from the public to the private sector and ban on exploiting former official status has been solved as well, in conformity with the UN Convention - former public official must not be employed two years after ending of the term of office, i.e. must not start business cooperation with the legal entity, entrepreneur or international organization which performs activities related to the public office of the public official, except with the consent of the Agency.

There is a novelty that the public official must return acquired material gain by holding other public office contrary to the law. Particularly expanded are provisions related to measures for the prevention of corruption; issues related to conflict of interest and receiving gifts have been regulated in detail; and the penal provisions expanded. The Law envisages a novelty in our system: integrity plans. These plans include self-analysis of the state body related to its susceptibility to corruption and stipulates measures to be undertaken for reducing corruption risks.

When this law comes into force the Republic Board for resolving conflict of interest ceases to exist.

Action Plan for applying of the National Strategy for Combating Corruption is being revised in the part relating to activities and terms for fulfilling recommendations from the Strategy.

Draft Law on Public Procurement has been prepared by the Working Group consisting of representatives of the Ministry of Finance, Public Procurement Directorate and Commission for Protection of Rights. The key changes include the following: improvement of protection of rights in the public procurement procedures; reduced number of law exceptions; more efficient mechanism of the public procurement procedure monitoring and control with greater transparency; and clear legal obligation of the Directorate to submit all information on perceived irregularities in the public procurement procedures to the State Audit Institution or other competent institution.

1.1.6.2.2. Institutions

After adoption of the Law on the Anti-Corruption Agency such Agency must be established and conditions for its efficient operations provided.

In relation to activities according to the National Strategy for Combating Corruption the following items are necessary to fulfill:

- 1) Capacity building and staff training in special departments of the Republic Public Prosecution and District Public Prosecutions in Belgrade, Novi Sad, Niš and Kragujevac, and in special court chambers as well;
- 2) Employment of sufficient number of public prosecutors, deputy public prosecutors and their counsellors;

1.1.6.3. Middle-Term Priorities

1.1.6.3.1. Legislative Framework

- Full implementation of international conventions on the fight against corruption
- Participation of the Ministry of Justice in the UN Office on Drugs and Crime (UNODC) Pilot Project on Self-Analysis, with the help of the UN experts; harmonisation of domestic legislation with the UN Convention Against Corruption.

1.1.6.3.2. Institutions

- Efficient operation of the Anti-Corruption Agency
- Further capacity building of the state bodies for fight against corruption.

1.1.8. Defence Reform

Defence reform is one of the fundamental strategic appropriations of The Republic of Serbia. The reform signifies a process of harmonizing the defence system with security challenges, risks and threats, citizens' needs, capacities of The Republic of Serbia, recognized democracy standards and tendencies of modern states' security organization, and the very process is implemented according to a defined defence policy.

The implementation is supported by the local public and the relevant international stakeholders in order to build new dexterities of the military forces and other defence system factors, in accordance with the missions and tasks defined in the strategic-doctrinal documents.

The key predispositions for the defence reform are: adequate strategic-doctrinal and normative-legal framework, adequate human and material resources, transparency and openness of the defence activities, adequate civil-military relations and relevant international community stakeholders support.

The basic strategic aims of the defence reform are:

- building up an efficient and economically sustainable defence system,
- building up a modern, professional and efficient military forces,
- democratic and civil control of the Army and other defence forces.

Within the design process of an adequate strategic-doctrinal defence reform framework, the following strategic-doctrinal and methodical documents' drafts are being made:

The National Security Strategy: contains the overall program standpoint, by which implementation the institutional mechanisms are being created for protection of The Republic of Serbia national interests in different fields of social life,

Defence Strategy: the document containing the state standpoints about the key defence and safety issues,

Army Doctrine: the key doctrinal document for Serbian military forces arrangement, organization, use and logistics,

Strategic Defence Review: the document containing the defined solutions as results of challenges, risks and safety threats analysis on one side, and military forces missions and tasks as well as other factors that influence military dexterities development on the other. Strategic Defence Review provides a stabile framework for defence mid- and long-term planning; efficient defence resources management; transparency and predispositions design of a democratic civil monitoring; professionalism and efficiency of missions and tasks execution. At the same time, this document is the starting point for design of other documents aimed towards articulating military forces activities and defence system dexterities development.

Ministry's Guideline, the document containing defined aims, tasks and priorities of defence planning, directions for organizational changes, human resources management, Serbian military forces' development, modernization and supplying, as well as for financing defence system for the running year.

The Development Defence System Plan till 2010 document draft is also being designed, as well as the mid-term development programmes related to all system functions.

Stated documents complete the strategic-doctrinal framework of the defence system reform process. These draft-form documents are delivered to The Serbian Government for further authorization, and, expected ratification.

The Defence White Paper is being published as well, presenting the key tendencies of the defence policy and defining the strategic directions of the defence system reform in a transparent mode.

The Act on defense and the Act on the Armed Forces of Republic of Serbia, as well as The Law on Defense services of the Republic of Serbia basis for organization were adopted.

Democratic and civil control of the Armed Forces of the Republic of Serbia, particularly include, according to provisions of the Act on defense: usage and development control of the Armed Forces, internal and external control of costs for the Army, monitoring and informing the public about preparations of the Army, providing free access to information of public importance and determination of responsibilities regarding military duties in accordance with the act.

On the basis of aforementioned provisions the following measures are undertaken:

- Defense Inspectorate was formed by executive power to serve as control and with competences and tasks stipulated by the law,

- Department for budget and finances formed within Defense Ministry initiated formation of internal control of budgetary funds being used then organizing audit department and carrying out educational seminars on planning, programming, budgeting and execution,
- Realization of external control of budgetary funds used for military purposes was enabled thanks to passed Law on Ministries,
- Public relations Department was formed within Defense Ministry and guidelines for communication strategy of the Defense Ministry and the Armed forces of the Republic of Serbia,
- Persons in charge of acting upon request to free access to information of public importance were nominated and Informer of Defense Ministry work was prepared in accordance with the Law on free access to information of public importance ,
- Principles of establishing responsibility for the performance of military duties were determined on the basis of the Criminal Code (criminal responsibility) and by the Act on Armed forces of the Republic of Serbia (disciplinary and material responsibility) ,
- Establishing institution of Ombudsman, in accordance with the law, regulations on Ombudsman referring to protection and acquiring citizens' rights which might be applied to professional members of the Armed forces.
- Monitoring of defense services work which being part of Defense Ministry, in accordance with provisions of the law, is to be performed over chosen authorities of the Republic of Serbia through Municipality monitoring, immediate monitoring and public monitoring.

In accordance with The Law on basis for defense services of the Republic of Serbia organization measures have been undertaken for the preparation of special the Law on security services within Defense Ministry.

Transparency in financing necessity for security according to provisions of the Law on Defense particularly includes: suggestions, preparations, displaying and control of defense system costs; presentations of goals and tasks requiring appropriate means; submission of reports on purposeful spending of funds as well as permanent control of defense system costs.

Report of cooperation with the National Assembly of the Republic of Serbia was formed within Defense Ministry Department for defense policy so as to establish high-quality and meaningful cooperation with Defense Ministry with the highest legislative state body.

The National Assembly performs civil control of the Army and other defense services whereon Defense board and security performs parliamentary control of:

- The Serbian Army and defense system, in accordance with the Article 46 of the rules of procedure of National Assembly, Article 86, Paragraph 4 of the Act on Defense (CG no. 116/07) and Article 29 of the Act on Armed forces of the Republic of Serbia (SG no. 116/07), including examination of the reports sent to National Assembly by the government as information about defense preparations in the Republic of Serbia.
- The work of Internal Affairs Ministry in accordance with the Article 46 of the rules of procedure for National Assembly and Article 9 and 170 of the Law on Police (SG no. 101/50), which includes reports to National Assembly by the Minister for Internal Affairs (once a year, and upon request and more frequently), of the work of Ministry and current security situation in Serbia, i.e. reports to Defense and Security board, upon his request about the issues of regarding competence.
- Of the work of Security services, in accordance with the Article 46 of the rules of procedure for National Assembly, Articles 3 and 16 of the Law on basis for Defense services of the Republic of

Serbia organization (CF no.116/07) and Article 17 of the Law on Information Security agency (CF no. 42/02).

- National Assembly had competences in terms of internal affairs sector control, i.e. examination of reports of internal affairs minister, Security Information Agency and about the work of MIA as long as the State Union of Serbia and Montenegro existed. When it ceased to exist, and on the basis of the Law on basis for security services of the Republic of Serbia organization, which came into effect on 19th December 2007, i.e. the Law on Armed forces which came into effect on 1st January 2008, mechanisms were introduced according to which National Assembly might exercise control of the Defense department, as well as work control of two military defense services, as administration bodies within Defense Ministry.

Concerning the human recourses, the underlining statement is that even in the times of the accelerating technological development, it is the human element that remains the key resource of the defence system. Human resources management is especially significant in the reform period. One of the major problems is the insufficient number and quality of human resources in relation to the actual defence system needs. According to the Strategic Defence Review and the estimated Defence Ministry and Army model and structure, the reduction of the number of officers, corporals and civil personnel took place, while the number of soldiers increased by contract. Successive Defence Ministry and Army employee reduction in the coming years is articulated in the planning documents.

In order to define long-term directions of the human resources development, The Human Resources Management Program is being designed. In accordance to the professional army tendencies, The Program provides the 'predictive career' framework as an efficient management enhancement.

Republic of Serbia implements the defence system reform with the adequate support of the relevant international community stakeholders. Republic of Serbia joined The Partnership for Peace Program in 2006, and designed The Presentation Document.

In February 2006, the Serbia-NATO Defence Reform Group is being established, signifying the orientation mechanism of all defence system reform processes and whose work is articulated through 16 working-tables focusing at the key reform aspects. The Group initial aim was to direct and accelerate the defence system reform process and consequently, accelerate the country's joining the security integrations.

Following the Government's aim to contribute to the keeping and strengthening of international peace, as well as the defined Army mission, The Peace Operations Centre is being formed and the Army's participation in peace operations is being intensified.

The NATO Military Liaison Office was open in December 2006, with authorization of the Serbian Government.

Present organizational-functional structure of The Ministry of Defence was mainly established in the first quarter of 2005. By such a structure the functional fusion of The Ministry of Defence and Military Headquarters was obtained in the terms of taking over the functions and tasks that, according to the standards, do not belong to military organization (education, organization, finances, health, infrastructure, maintenance).

Furthermore, the conditions for democratic civil control of the Army and other military security bodies are created, as well as of the military system as a whole, information fluxes accelerated and number of The Ministry of Defence and Headquarters functions' and authorities' overlaps removed, overlaps that were inherited from previous times.

The new organizational structure was established at the end of 2007 in order to assure more cost-effectively functioning of The Ministry of Defence. The harmonization of The Ministry's organizational

structure is being accomplished in accordance to the ratified system laws of The Republic of Serbia. The key changes in the organization of The Ministry are: functional structure; rationalizing the workforce and balancing the number of the military and civil personnel; fusion of the civil protection and military functions, as well as of the operational and material tasks.

In the period till 2010, The Ministry's organizational structure will be changing in accordance with the needs, capacities and modern standards towards a rational and efficient defence system management. A special focus will be directed to better coordination both with other ministries and partners' institutions.

The Serbian Army goal is a professional military force establishment, capable of implementing given missions and tasks.

Thus, the following strategic directions are articulated:

Professional army in total,

Contemporary organized, armed, interoperational and task-utilized army qualified to implement given missions and tasks,

Army personnel status and standards improvement.

In the following years the defence system reform will be continued as planned. The major goal till 2010 is that The Serbian Army functions totally on professional basis, to be modernized and to be under the complete democratic and civil control.

The Army's development will be oriented towards gaining new skills, economical sustainability, functional efficiency and effectiveness and satisfactory level of interoperability.

The Serbian Army missions are defined in the following basic strategic documents:

Defence of The Republic of Serbia of the external armed assault,

Participation in regional and global peace building and keeping,

Supporting civil authorities in fighting the security threats.

Considering the functional/organizational changes in The Serbian Army, it is important to underline that the new structure of the Headquarters and Army is being established.

The borders' safe-guard takeover to The Ministry of Internal Affairs took place within the estimated period. The Serbian Army members, together with KFOR members are engaged in securing the administrative border with Kosovo and Metohija and in controlling the Ground Safety Zone.

The soldiers and senior ranks trainings are being done according to the changed programs. The focus before the change was at the efficient terrorism fighting and at other types of armed security threats aimed at The Republic of Serbia, at supporting the civil authorities' missions in the context of natural disasters, industrial and other crises, epidemics, prevention and ending the emergency situations and training the soldiers, troupes and leadership in participating the regional and global peace keeping missions.

Several exercises with neighbouring military forces took place.

As a result of the initiated reform, The Serbian Military is presently organized on the strategic, operational and tactic level.

At the strategic level is The Headquarters with Corporate Operative Command, nine organizational units "J" type and Military Police Administration.

At the operational level the military forces are organized as Land force, Training Command, Aviation and Air defence.

At the tactic level The Army is organized in brigades and related units.

The Serbian Army will be functioning on the professional basis totally by the end of 2010, and in the meantime the efforts will be directed towards gaining new skills, functional efficiency and effectiveness, and satisfactory level of interoperability. Planned organizational changes will be implemented in accordance with contemporary organizational, functional and economically sustainable principles.

1.2. HUMAN RIGHTS AND PROTECTION OF MINORITIES

1.2.1. Respect for international instruments for human rights protection

The Republic of Serbia has dedicated great attention to human and minority rights, and makes every effort to respect and implement in a comprehensive manner the highest international standards in this field. In relation to this, Serbia has adopted and incorporated the most important regional and universal treaties in the field of human and minority rights into its national legislation, and worked on the adoption and nationwide implementation of the accompanying or subsequent protocols to these treaties. Thus, Serbia has proved its intention to follow modern tendencies and changes as well as to render human and minority rights an active and constantly current issue.

The new Constitution of the Republic of Serbia, which was adopted in 2006, clearly underscores the following:

“Human and minority rights guaranteed by the Constitution shall be implemented directly.”

The Constitution shall guarantee, and as such, directly implement human and minority rights guaranteed by the generally accepted rules of international law, ratified international treaties and laws. The law may prescribe manner of exercising these rights only if explicitly stipulated in the Constitution or necessary to exercise a specific right owing to its nature, whereby the law may not under any circumstances influence the substance of the relevant guaranteed right.

Provisions on human and minority rights shall be interpreted to the benefit of promoting values of a democratic society, pursuant to valid international standards in human and minority rights, as well as the practice of international institutions which supervise their implementation.” (article 18 of the Constitution)

The Constitution envisages the institution of Defender of Citizens, under whose immediate jurisdiction falls the protection of human and minority rights, that is to work together with courts in the Republic of Serbia on their implementation.

The Agency for Human and Minority Rights was founded by way of a Decree on Establishment of Agency for Human and Minority Rights (Official Gazette of the Republic of Serbia, no. 49/06) in June 2006. Under the jurisdiction of the Agency, amongst other things, is to perform the following expert tasks related to: protection and advancement of human and minority rights; participation in the drafting of regulations on human and minority rights; monitoring of harmonisation of domestic regulations with international treaties and other international documents on human and minority rights, and initiating changes to the domestic regulations; submitting of reports on implementation of international treaties on human and minority rights if these treaties stipulate this; replies to individual applications submitted to international bodies whose jurisdiction our country has accepted. The agency is run by the agency director, appointed by the Government for a term of office of five years, at the proposal put forth by the Prime Minister. The agency director reports to the Government and Prime Minister, and he/she is a senior public servant. The agency director, by virtue of his/her position, is also a secretary of the Republic of Serbia’s National Minorities Council.

The Republic of Serbia is the party to the most important universal international treaties in this field:

- International Covenant on Civil and Political Rights, and:
 - Optional Protocol to the International Covenant on Civil and Political Rights, and
 - Second Optional Protocol to the Covenant on Civil and Political Rights pertaining to the abolishment of the death penalty;
- International Covenant on Economic, Social and Cultural Rights;
- Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, and
 - Optional Protocol to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment pertaining to regular visits of national and international experts to places of detention;
- International Convention on the Elimination of All Forms of Racial Discrimination;
- International Convention on the Elimination of All Forms of Discrimination against Women, and:
 - Optional Protocol to the International Convention on the Elimination of All Forms of Discrimination against Women pertaining to individual complaints and investigative procedure;
- Convention of the Rights of the Child, and:
 - Optional Protocol to the Convention of the Rights of the Child on the involvement of children in armed conflicts, and
 - Optional Protocol to the Convention of the Rights of the Child on the sale of children, child prostitution and child pornography;
- Convention on the Civil Aspects of International Child Abduction;
- Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse;
- Convention on Slavery from 1926, amended in 1956;
- Convention on the Suppression and Punishment of the Crime of Apartheid;
- Rome Statute of the International Criminal Court;
- United Nations Convention against Transnational Organised Crime, and its protocols against the smuggling of migrants by land, air or sea, and on prevention, suppression and punishment of trafficking in persons, respectively; and
- Convention Relating to the Status of Refugees and its protocols.

The Republic of Serbia has re-established and strengthened the practice of submitting its national reports to the relevant bodies of the United Nations and other international bodies on the implementation of obligations arising from the accepted international conventions. The Republic of Serbia adopts recommendations and conclusions accentuated in international reports, pertaining to the Republic of Serbia itself or in a wider context, and it works systematically on their implementation.

Following the successor statement given in June 2001, the Republic of Serbia, having acceded to the International Covenant on Civil and Political Rights, pursuant to article 40, assumed obligation to submit reports to the Human Rights Committee on its implementation. At the Human Rights

Committee's session on 19-20 July 2004, the Republic of Serbia presented its Initial Report on the Implementation of the International Covenant on Civil and Political Rights for the 1992-2002 period.

Having acceded to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, the Republic of Serbia undertook to submit reports to the Committee against Torture, pursuant to article 19, on its implementation within one year after the entry into force of the Convention for the Republic of Serbia concerned. Thereafter the Republic of Serbia shall submit supplementary reports every four years on any new measures taken and such other reports as the Committee may request. The Republic of Serbia submitted the Initial Report on the Implementation of the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment for the 1992 – June 2003 period, which the Committee is to consider in November 2008.

Having acceded to the International Convention on the Elimination of All Forms of Racial Discrimination, the Republic of Serbia undertook to submit reports to the Committee on the Elimination of Racial Discrimination, pursuant to article 9, para. 1, on its implementation within one year after the entry into force of the Convention for the Republic of Serbia. Thereafter the Republic of Serbia shall submit supplementary reports every two years and such other reports as the Committee may request. The submission of the report is expected soon.

Having acceded to the Convention on the Elimination of All Forms of Discrimination against Women, the Republic of Serbia undertook to submit reports to the Committee on the Elimination of All Forms of Discrimination against Women, pursuant to article 18, on its implementation within one year after the entry into force of the Convention for the Republic of Serbia. Thereafter the Republic of Serbia shall submit supplementary reports every four years and such other reports as the Committee may request. The Republic of Serbia presented its Initial Report on the Implementation of the Convention on the Elimination of All Forms of Discrimination against Women for the 1992 – June 2003 period to the Committee on the Elimination of Discrimination against Women on 16 May 2007.

Having acceded to the Convention of the Rights of the Child, the Republic of Serbia undertook to submit reports to the Committee on the Rights of the Child, pursuant to article 44, para. 1, on its implementation within two years after the entry into force of the Convention for the Republic of Serbia. Thereafter the Republic of Serbia shall submit supplementary reports every five years. The Republic of Serbia submitted the Initial Report on the Implementation of the Convention on the Rights of the Child for 1992-2005 period to the Committee on the Rights of the Child, which shall be considered in May 2008. Having ratified the Optional Protocol to the Convention of the Rights of the Child on the sale of children, child prostitution and child pornography and the Optional Protocol to the Convention of the Rights of the Child on the involvement of children in armed conflicts in 2002, the Republic of Serbia assumed obligation to submit initial reports on their implementation to the Committee on the Rights of the Child within two years after the entry into force of these protocols for the Republic of Serbia, and thereafter to include subsequent information pertaining to the protocols in the reports on the implementation of the Convention on the Rights of the Child.

The Republic of Serbia dedicates great attention to regional cooperation on human rights and fundamental freedoms as well as the promotion of the rule of law and further democratisation of the society and protection of minorities, particularly since April 2003 when it became a member of the Council of Europe. Thus far the Republic of Serbia has accepted 58 conventions of the Council of Europe, including the following ones:

- European Convention on Protection of Human Rights and Fundamental Freedoms;
- European Convention for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment and its both protocols;

- European Charter for Regional and Minority Languages;
- Framework Convention for the Protection of National Minorities;
- European Cultural Convention.

On two occasions (2004 and 2007), as part of their periodical visits, the representatives of the Committee against Torture, whose reports and recommendations the Republic of Serbia adopts and incorporates into its plans, came to the Republic of Serbia. The Republic of Serbia regularly accepts the summons to appear before the European Court of Human Rights in cases where it is one of the parties involved, and it respects and carries out the Court's rulings. One of the judges of the European Court of Human Rights is from the Republic of Serbia.

The authorities and official institutions of the Republic of Serbia closely collaborate in raising public awareness of human rights and protection of minorities with the civil sector, i.e. nongovernmental organisations, which they see as partners in this field, exchanging information and working to the benefit of individuals and their rights. In addition, the authorities and official institutions collaborate with universities and faculties in the Republic of Serbia where human rights and protection of minorities are studied, and they support these educational institutions in their efforts to cover the entire subject matter and to promote students interested in studying subjects directly related to these issues.

Having ratified the Framework Convention for the Protection of National Minorities, the Republic of Serbia assumed obligation to submit reports every four years to the Council of Europe on the implementation of the Convention. The Republic of Serbia has submitted two reports so far on the implementation of the Framework Convention for the Protection of National Minorities. The first was submitted on 16 October 2002, and the second on 4 March 2008. National councils and nongovernmental organisations participated in the drafting of the second periodical report.

Having ratified the European Charter for Regional and Minority Languages, the Republic of Serbia assumed obligation to submit reports every three years to the Council of Europe on the implementation of the Charter. The Republic of Serbia submitted the first periodical report on the implementation of the European Charter for Regional and Minority Rights to the Council of Europe on 11 July 2007, and it also submitted replies to additional questions of the Committee's experts and organised a visit of a delegation of the Committee's experts to the Republic of Serbia.

Short-term priorities

To fulfil all obligations arising from Council of Europe membership

The legislation in the area of the execution of penal sanctions is harmonised to the highest degree with the European standards. The Administration for the Execution of Penal Sanctions implements the standards and recommendations of the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment, and European prison rules.

The most important reform priority at the moment is the reconstruction of the existing and the construction of new facilities for accommodation of persons deprived of their freedom in order to create humane and safe conditions for the execution of penal sanctions. A completion of the envisaged reconstruction and construction of prison facilities is planned for 2011.

Employees of the Department for the Exercise of the Rights of Persons Deprived of Liberty receive continuous training in accordance with the European Convention for the Protection of Human Rights and Fundamental Freedoms, standards and recommendations of the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment, and European prison rules.

As of recently, there has been an emerging tendency of humanisation of the penal practice and alleviation of the retribution component of the penalty, particularly in cases involving minor criminal offences. In the Republic of Serbia, the execution of sanctions handed down as an alternative to prison sentences is performed by the Trust Agency as part of the Department for Treatment and Alternative Sanctions of the Administration for the Execution of Penal Sanctions. By establishing the Trust Agency, organisational conditions were created to execute effectively alternative sanctions in practice. For 2008, the plan is to establish a network of commissioners in charge of the execution of these sanctions in Belgrade, and in 2009 to expand the network to the entire territory of the Republic of Serbia.

By establishing a new normative framework and advancing personnel, organisational and programmatic basis, the Trust Agency will grow into an independent Probation Agency as part of the Ministry of Justice with all the attributes and powers typical of the majority of developed probation agencies. Planned timeline for the accomplishment of this objective is from 2010 until 2011.

- To ensure respect for constitutional provisions in the field of human rights

1.2.2 Civil and political rights

The Constitution of the Republic of Serbia guarantees civil and political rights. Article 18, para. 3, of the Constitution stipulates that the provisions on human and minority rights shall be interpreted to the benefit of promoting values of a democratic society, pursuant to valid international standards in human and minority rights, as well as the practice of international institutions which supervise their implementation. Under article 20, human and minority rights guaranteed by the Constitution may be restricted if the Constitution permits such restriction and for the purpose allowed by the Constitution, to the extent necessary to meet the constitutional purpose of restriction in a democratic society and without encroachment upon the substance of the relevant guaranteed right.

1.2.2.1. Civil Rights

- Right to Effective Legal Remedy

Regular legal remedies for the protection of human and minority rights are protected under articles 22 and 36 of the Constitution. According to article 22, everyone shall have the right to judicial protection when any of their human or minority rights guaranteed by the Constitution have been violated or denied, and they shall also have the right to the elimination of consequences arising from the violation. Citizens shall have the right to turn to international institutions in order to protect their freedoms and rights guaranteed by the Constitution.

Equal protection of rights before courts and other state bodies, entities exercising public powers and bodies of the autonomous province or local self-government shall be guaranteed by the Constitution, as well as the right to an appeal or other legal remedy against any decision on his rights, obligations or lawful interest. Article 32, para. 1, of the Constitution stipulates that everyone shall have the right to a fair public hearing before an independent and impartial court, established by the law, within reasonable time limit, which shall pronounce judgment on their rights and obligations, and accusations brought against him. Para. 3 of the same article guarantees public hearing before the court.

Article 170 of the Constitution introduces the institution of constitutional appeal as a vehicle for the protection of human rights. A constitutional appeal may be lodged against individual general acts or actions performed by state bodies or organisations exercising delegated public powers which violate or deny human or minority rights and freedoms guaranteed by the Constitution, provided that other legal remedies for their protection have already been exhausted or have not been specified. The constitutional

appeal is submitted to the Constitutional Court. In late November 2007, the Law on Constitutional Court was adopted.

Article 138 of the Constitution introduced the institution of the Civic Defender. The Civic Defender is an independent state body protecting the citizens' rights and monitoring the work of public administration bodies, the body in charge of legal protection of proprietary rights and interests of the Republic of Serbia, as well as other bodies and organisations, companies and institutions to which public powers have been delegated. In the Republic of Serbia, civic defenders have been established so far at the state, provincial and local self-government levels. The Law on Civic Defender was adopted in September 2005, and in mid-2007 the first civic defender was appointed. The Law on Particular Powers of the Autonomous Province (Official Gazette of the Republic of Serbia, no. 6/02) and the Statute of the Autonomous Province of Vojvodina granted the right to this autonomous province to establish and regulate the position and organisation of the provincial ombudsman. The Assembly of the AP Vojvodina adopted in December 2002 the Decision on Provincial Ombudsman (Official Gazette of the AP Vojvodina, no. 23/02), and in September 2003, Vojvodina appointed its first ombudsman. Article 97 of the Local Self-Government Act (Official Gazette of the Republic of Serbia, no. 129/07) envisages the institution of the defender of citizens which is authorised to control the respect for the rights of citizens and to determine violations caused by acts or failure to act on the part of an administrative organ or public agency, if the alleged violation is that of regulations or general by-laws of an entity of local self-government.

- Prohibition of Discrimination

The Constitution regulates the prohibition of discrimination in article 21. The nature of discrimination in this article is formulated as in international instruments, i.e. any direct or indirect discrimination on any grounds is prohibited. Discrimination is seen as a criminal offence in the Criminal Code (Official Gazette of the Republic of Serbia, no. 65/03), articles 128, 317 and 387. Many other laws contain anti-discrimination regulations, including Labour Act (Official Gazette of the Republic of Serbia, nos. 24/05, 61/05, articles 18-23), Law on Employment and Insurance in Case of Unemployment (Official Gazette of the Republic of Serbia, nos. 71/03 and 83/04), the Law on the Basics of the System of Education and Upbringing (Official Gazette of the Republic of Serbia, nos. 62/03, 64/03, 58/04 and 62/04), Health Protection Act (Official Gazette of the Republic of Serbia, no. 107/05). Articles 11-31 of the Law on the Prevention of Discrimination against Persons with Disabilities (Official Gazette of the Republic of Serbia, no. 33/06), which was adopted in 2006, prescribes, amongst other things, the obligation of state organs to make accessible public services and facilities to individuals with disabilities and it prohibits discrimination in particular areas like labour relations, health and education.

- Right to Life

The Constitution in its article 24 stipulates inviolability of human life, prohibition of death penalty and cloning of human beings. Death penalty had been abolished in criminal legislation as far back as 2002. Cloning of human beings is also considered a criminal offence according to the Criminal Code (Official Gazette of the Republic of Serbia, no. 85/05). The Criminal Code contains provisions on criminal offences which protect the right to life, and the authorised public prosecutor is under obligation to prosecute such criminal offences in discharge of official duty. These are criminal offences against life and body (articles 113-127), criminal offences against humanity and other offences regulated by international law like genocide (article 370), crimes against humanity (article 371), war crimes against civilian population (article 372), unlawful killing and wounding of enemy (article 378), and instigation to war of aggression (article 386). The Criminal Code contains groups of criminal offences which may threaten the lives of people like offences against the health of people, general security, safety of public transport and against environment. The Law on Police (Official Gazette of the Republic of Serbia, no.

101/05), article 84, para. 2, stipulates that the powers of police officers to use force are applicable only if the assignment cannot be completed in any other way, but in a restrained fashion and proportionate to the danger threatening to assets or values protected by the law, i.e. the gravity of a criminal offence which is to be prevented or eliminated.

In Article 63, the Constitution stipulates that everyone has the right to procreate or not as well as that the state encourages the parents to decide to have children and assist them in this matter. The Law on the Procedure for Termination of Pregnancy at Health Institutions (Official Gazette of the Republic of Serbia, no. 16/95) regulates abortion, and according to this law, the termination of pregnancy may be performed only at the request of the pregnant woman in question where the requirement is express written consent to the procedure.

The Law on Environmental Protection (Official Gazette of the Republic of Serbia, no. 135/04) in its article 1 regulates an integral system of environmental protection which ensures the exercise of the right to life and development in a healthy environment and a balance between economic development and environment. According to article 69, the Republic of Serbia, autonomous provinces and units of local self-government are under obligation to ensure continuous control and monitoring of environment.

- Prohibition of Torture, Inhuman and Degrading Treatment or Punishment

Article 25, para. 2, of the Constitution specifies that nobody may be subjected to torture, inhuman or degrading treatment or punishment, nor subjected to medical and other experiments without their free consent.

Article 28 of the Constitution stipulates that persons deprived of liberty must be treated humanely and with respect for their dignity, as well as that any violence and extortion of statements is prohibited. The Law on the Execution of Penal Sanctions (Official Gazette of the Republic of Serbia, no. 85/05) in its articles 128-132 prescribes the conditions for the application of force against the convicts, and in article 101 free health protection for the convicts is guaranteed.

Article 137 of the Criminal Code specifies abuse and torture as a separate criminal offence. The Law on Police contains the rules of conduct for law enforcement officers. The Rules on Conditions and Ways of Use of Force (Official Gazette of the Republic of Serbia, no. 133/04) regulates in more detail the manner in which the police may use force.

- Prohibition of Slavery and Forced Labour

Article 26 of the Constitution prohibits slavery, position similar to slavery and forced labour. All forms of human trafficking are prohibited, and sexual or financial exploitation of a person in an unfavourable position shall be deemed forced labour. The Criminal Code in its article 350, para. 2, prohibits human trafficking; article 388 deals with white slavery, while article 389 regulates the issue of trafficking in children for the purpose of adoption, and article 390 speaks about slavery and transportation of enslaved persons.

- Right to Freedom and Safety of Person

Article 27, para. 1, of the Constitution guarantees to everyone the right to personal freedom and safety. Para. 3 of this article guarantees that any person deprived of liberty shall have the right to initiate proceedings where the court shall review the lawfulness of arrest or detention and order the release if the arrest or detention has been unlawful. In accordance with article 28, persons deprived of liberty must be treated humanely and with respect for dignity of their person.

Article 30 of the Constitution stipulates that a person under reasonable doubt of committing a crime may be remanded in detention only upon the decision of the court, should detention be necessary to conduct criminal proceedings. If the detainee has not been questioned when taking decision on detention or if the

decision on holding in detention has not been carried out immediately after the pronouncement, the detainee must be brought before a competent court within 48 hours from the time of incarceration which shall review the decision on detention. A decision in writing of the court with explanation of the reasons for detention shall be delivered to the detainee no later than 12 hours after the detention. The court shall rule on the appeal against the decision on detention and deliver it to the detainee within 48 hours.

Article 141 of the Criminal Procedure Act (Official Gazette of the Federal Republic of Yugoslavia, no. 70/2001, 68/2002; Official Gazette of the Republic of Serbia, no. 58/2004, 85/2005, 115/2005 and 49/2007) stipulates that the detention may be ordered only in accordance with the conditions provided by this Act and only if the same purpose cannot be achieved by another measure. The authorities participating in the criminal proceedings and the authorities providing legal assistance therein are bound to proceed particularly urgently if the defendant is in detention. In the course of the entire criminal proceedings, detention shall be terminated as soon as the grounds for detention have ceased to exist.

According to article 142, paras. 1 and 2, detention shall be ordered for a person suspected on reasonable grounds of having committed a criminal offence punishable by up to forty years' imprisonment, if this is justified due to particularly aggravating circumstances; against the accused sentenced by the court of first instance to five years in prison or more, if the accused is not already in detention and if this is justifiable given the manner in which the criminal offence was committed or other particularly grave circumstances of the criminal offence in question. Detention shall be ordered if there is a reasonable suspicion that a person has committed a criminal offence, but there are no grounds for detention referred to in para. 1 of this article. Detention may be ordered: if it is justified by particularly grave circumstances of the committed criminal offence for the purpose of conducting criminal proceedings without interference; if the person is in hiding or his/her identity cannot be established, or if there are other circumstances indicating the likelihood of escape; if there are circumstances indicating that he/she will destroy, hide, temper with or falsify evidence or traces of the criminal offence in question, or if particular circumstances indicate that he/she will impede the proceedings by influencing witnesses, aiders and abettors or accomplices; if special circumstances indicate that he/she will repeat the criminal offence or complete the attempted one, or perpetrate the criminal offence he/she threatens to commit; if a duly summoned defendant obviously avoids his/her appearance at the main hearing; if the sentence of ten years' imprisonment is prescribed for the criminal offence in question, and if this is justified due to the manner in which it was perpetrated or other particularly aggravating circumstances of the criminal offence in question.

Article 143, para. 1, prescribes that the detention is to be ordered by a ruling issued by a competent court. According to article 144, detention ordered by the investigating judge may last up to one month from the day the detainee was deprived of his/her liberty. After this term has expired, the detainee may be remanded in custody solely on the grounds of a decision on the extension of detention. Detention may be extended in accordance with the ruling of a court chamber consisting of three judges by a maximum of two months. Against the decision an appeal, which does not delay its execution, may be filed. If the proceedings are conducted for a criminal offence punishable by five years' imprisonment or more, the Supreme Court chamber may, upon receiving a substantiated motion of the investigating judge or public prosecutor, for reasons substantial enough, extend the detention by a maximum of three months. Against the decision an appeal, which does not delay its execution, may be filed. A chamber of three judges of the Supreme Court of Serbia is to rule on the appeal.

In accordance with article 145, para. 1, in the course of an investigation, the investigating judge may terminate the detention in agreement with the authorised prosecutor. If there is no agreement between the investigating judge and the authorised prosecutor, the investigating judge shall request of the court chamber to decide on the matter, and the chamber is under obligation to hand down its decision within 48 hours.

According to article 146, para. 1, after the indictment has been submitted to the court, and until the completion of the main hearing, detention may be ordered or terminated solely by the court chamber, provided that the opinion of the public prosecutor has been previously obtained if the proceedings are conducted upon his/her request.

According to article 147, the police and court are under obligation, immediately after a person has been deprived of his/her freedom, within 24 hours at the latest, to inform about it his/her family, or his/her partner in extramarital community or some other permanent community, unless the person deprived of freedom expressly opposes it. If a lawyer is detained, the police authority or court is under obligation to inform the competent Bar Association immediately or, at the latest, the following working day. Authorised social welfare organ will be informed about the deprivation of liberty of a person if it is necessary to undertake measures to provide for children and other family members for whom the person deprived of liberty is a guardian.

- Right to Citizenship

The Constitution in its article 38 stipulates that the acquisition and termination of citizenship of the Republic of Serbia is regulated by law, and that a citizen of the Republic of Serbia may not be expelled or deprived of citizenship or the right to change it. Any child born in the Republic of Serbia shall have the right to the citizenship of the Republic of Serbia unless conditions have been met to acquire citizenship of another country. According to provisions of article 6 of the Law on Citizenship of the Republic of Serbia (Official Gazette of the Republic of Serbia, nos.135/04 and 90/07), the citizenship of the Republic of Serbia is acquired by origin, birth on the territory of the Republic of Serbia, admission and by way of international treaties. The citizenship of the Republic of Serbia by origin and birth is acquired on the basis of the entry of the fact of one's citizenship into the birth certificate register. The citizenship of the Republic of Serbia by admission is acquired on the basis of the procedure conducted as prescribed by this law. Under article 23, a member of the Serb or some other people or ethnic community from the territory of the Republic of Serbia, with no place of residence on the territory of the Republic of Serbia, may be admitted to the citizenship of the Republic of Serbia if the person in question is over 18 years of age, his business capacity has not been deprived of him/her, and if he/she submits a written statement that he/she consider the Republic of Serbia as his/her state. Under the same conditions, a person born in another republic of the former Socialist Federative Republic of Yugoslavia with the citizenship of the said republic, or the person who is the citizen of another state, which came into existence on the territory of former SFRY, with the place of residence on the territory of the Republic of Serbia in a status of a refugee, expelled or displaced person, or a person who fled abroad, may be admitted to the citizenship of the Republic of Serbia. Article 27 stipulates that the citizenship of the Republic of Serbia may be terminated by discharge, renouncement and in accordance with the international treaties.

- Freedom of Movement

Under article 39 of the Constitution, everyone has the right to free movement and residence in the Republic of Serbia, as well as the right to leave and return. Freedom of movement and residence, as well as the right to leave the Republic of Serbia may be restricted by the law, if necessary, for the purpose of conducting criminal proceedings, protection of public order, prevention of spreading of contagious diseases or defence of the Republic of Serbia. Entry and stay of foreign nationals in the Republic of Serbia shall be regulated by the law. A foreign national may be expelled only under decision of the competent body, in a procedure stipulated by the law and if time to appeal has been provided for him and only when there is no threat of persecution based on his race, sex, religion, national origin, citizenship, association with a social group, political opinions, or when there is no threat of serious violation of rights guaranteed by this Constitution.

- Right to Privacy

Under article 41 of the Constitution, confidentiality of letters and other means of communication are inviolable. Derogation are allowed only for a specified period of time and based on the decision of the court, if necessary, to conduct criminal proceedings or protect the safety of the Republic of Serbia. Article 42 of the Constitution guarantees the protection of personal data. Collecting, keeping, processing and using of personal data is regulated by the law. The criminal code penalises unauthorised collecting, acquiring, making public and the use for purposes other than those intended of personal data which are collected, processed and used in accordance with the law – article 146.

- Freedom of Thought, Conscience and Religion

Article 11 of the Constitution establishes the principle of a secular state and prohibits the establishment of a state religion. Article 43 guarantees freedom of thought, conscience, beliefs and religion, as well as the right to stand by one's belief or religion or change them by choice. Article 44 guarantees equality of all religious communities, freedom of religious association and collective expression of one's faith. In 2006, the Law on Churches and Religious Communities was adopted (Official Gazette of the Republic of Serbia, no. 36/06), the Law on Restitution of Church and Religious Communities Property (Official Gazette of the Republic of Serbia, no. 46/06), as well as the Rules on the content and manner of keeping the register of churches and religious communities (Official Gazette of the Republic of Serbia, no. 64/06).

Article 1 of the Law on Churches and Religious Communities (Official Gazette of the Republic of Serbia, no. 36/06) guarantees, in accordance with the Constitution, the right to freedom of conscience and religion. Freedom of religion includes: freedom to profess belief in God; freedom to have or to have not, preserve or change religion or religious conviction; freedom, either alone or in community with others and in public or private, to manifest religion or religious conviction in worship, teaching, practice and observance, cherishing and developing religious tradition; freedom to develop and advance religious education and culture. Under article 2, no one shall be either subjected to coercion which could threaten the freedom of religion or be coerced to declare his religion, religious belief or its absence thereof. No one shall be disturbed, discriminated or privileged due to his/her religious convictions, affiliation or non-affiliation to a religious community, or due to participation or non-participation in religious services or due to practicing or not practicing all guaranteed religious freedoms and rights. There is no state religion. Article 17 stipulates that the Ministry responsible for religious affairs keeps the Register of Churches and Religious communities. The Constitution stipulates in article 45 the right to conscientious objection as the fundamental human right.

- Freedom of Expression

Article 46 of the Constitution guarantees the freedom of thought and expression, as well as the freedom to seek, receive and impart information and ideas through speech, writing, art or in some other manner. Freedom of expression may be restricted by the law, if necessary, to protect rights and reputation of others, to uphold the authority and objectivity of the court and to protect public health, morals of a democratic society and national security of the Republic of Serbia. Public Information Act (Official Gazette of the Republic of Serbia, no. 43/03) regulates the right to public information as the right to freedom of expression of thought, as well as the rights and obligations of participants in the process of public information. The right to public information comprises, in particular, the freedom of expression of thought, freedom to collect, research, publish and disseminate ideas, information and opinions, freedom to print and distribute newspapers and other printed media, freedom to produce and broadcast radio and television programmes, freedom to receive, ideas, information and opinions, as well as the freedom to establish legal entities dealing with public information. Under article 38, it is prohibited to publish ideas, information and opinions that incite discrimination, hatred or violence against an

individual or a group of individuals on grounds of their race, religion, nationality, ethnicity or sex, or their sexual inclination, notwithstanding whether a criminal offence has been committed by such publication. The Public Broadcast Act (Official Gazette of the Republic of Serbia, no. 42/02, 97/04 and 76/05) stipulates the conditions for and manner of conducting broadcasting activities in accordance with international conventions and standards; establishes the Republican Broadcasting Agency, as well as public broadcasting service institutions; determines terms and procedures for issuing licences to broadcast radio and TV programmes and regulates other issues with respect of the broadcasting sector. The Telecommunications Act (Official Gazette of the Republic of Serbia, no. 44/03) stipulates the conditions and manner of conducting telecommunication-related activities and the establishment of the Republican Telecommunication Agency. According to the Criminal Code, for the criminal offence of insult and libel only fines are due – articles 170 and 171. Criminal offences of relating or disseminating anyone’s personal or family circumstances carry the possibility of imprisonment - article 172. Under provisions of article 20 of the Law on the Prevention of Violence and Indecent Behaviour at Sporting Events (Official Gazette of the Republic of Serbia, no. 67/03 and 90/07), one of the criminal offences relates to a perpetrator who instigates national, racial and religious hatred or animosity by way of his conduct or slogans at a sporting event that is conducive to violence or physical conflict with the participants in the sporting event.

- Freedom of Expression of National Affiliation

Under article 47, national affiliation may be expressed freely, i.e. no person is obliged to declare his/her national affiliation.

- Freedom of Association

Article 55 of the Constitution guarantees freedom of political, labour union and any other form of association, and it guarantees the right to stay outside any association. Associations are formed without prior approval and are entered in the register kept by a state body, in accordance with the law. The Law on Social Organisations and Associations of Citizens (Official Gazette of the Socialist Republic of Serbia, nos. 24/82, 39/83, 17/84, 50/84, 45/85 and 12/89 and Official Gazette of the Republic of Serbia, nos. 53/93, 67/93 and 48/94) regulates the establishment and operation of social organisations and associations of citizens. The Law on Political Organisations (Official Gazette of the Republic of Serbia, nos. 37/90, 30/92, 53/93, 67/93 and 48/94) deals with political organisations.

- Right to Asylum

Article 57 of the Constitution guarantees the right to asylum in the Republic of Serbia to any foreign national with reasonable fear of prosecution based on his race, gender, language, religion, national origin or association with some other group, or his/her political opinions. The Law on Asylum (Official Gazette of the Republic of Serbia, no. 109/07) represents a positive step towards the improvement of protection of asylum-seekers, refugees and persons under humanitarian protection, and it enshrines a large number of guarantees for the protection of these persons.

1.2.2.2. Political Rights

- Electoral Right

Article 52 of the Constitution stipulates electoral right according to which every citizen of age and working ability of the Republic of Serbia has the right to vote and be elected. Suffrage is universal and equal for all; the elections are free and direct, and voting is carried out by secret ballot in person. Electoral right is regulated by the Law on Election of Deputies to the National Assembly (Official Gazette of the Republic of Serbia, no. 35/00, 57/03 and 18/04), Law on Local Elections (Official Gazette of the Republic of Serbia, no. 33/02), Law on Election of the President of the Republic (Official Gazette

of the Republic of Serbia, no. 111/07) and the Decision on the Election of Deputies to the Assembly of the Autonomous Province of Vojvodina. Article 5, para. 1, of the Law on Political Organisations (Official Gazette of the Socialist Republic of Serbia, no. 37/90) stipulates that a minimum of 100 adult citizens may establish a political organisation. Financing of political parties is regulated by the Law on Financing of Political Parties (Official Gazette the Republic of Serbia, no. 72/03 and 75/03). The law stipulates that a part of the budget is to be earmarked each year for the financing of political parties. Articles 4, 9 and 10 prescribes additional financing to cover the costs of election campaigns for the year when the elections take place.

- Right to Petition

The Constitution stipulates the right under article 56 to put forward petitions and other proposals alone or together with others, to state bodies, entities exercising public powers, bodies of the autonomous province and local self-government units and to receive reply from them if they so request. According to the provisions of article 11 of the Law on Protection of Rights and Freedoms of National Minorities (Official Gazette of the Federal Republic of Yugoslavia, no. 11/02), a petition may be submitted in both Serbian and languages of national minorities.

- Freedom of Assembly

According to the provisions of article 54 of the Constitution, citizens may assemble freely. Gathering, demonstrations and other forms of assembly held outdoors shall be reported to the state body, in accordance with the law. Freedom of assembly may be restricted by the law only if necessary to protect public health, morals, rights of others or the security of the Republic of Serbia. Article 2 of the Law on Assembly of the Citizens of Serbia (Official Gazette the Republic of Serbia, nos. 51/92, 53/93, 67/93, 48/94 and 29/01) stipulates that a gathering of citizens is summoning and holding of a meeting or other such event at a designated appropriate space. Appropriate space for a public gathering is the space which is accessible and convenient for a gathering of persons whose number and identities are not determined in advance, and where the said gathering of citizens would not disrupt public transport, endanger health, public morality or safety of people and property. Appropriate space for a public gathering is also the space with public traffic when it is possible to temporarily divert the traffic as well as protect health and security of people and property by way of additional measures for which additional funds are allocated in accordance with this law. Public gathering cannot take place in the vicinity of the Federal Assembly and National Assembly of the Republic of Serbia immediately before or during parliamentary sessions. According to article 4, the organiser, i.e. any physical or legal person, may submit a notice that a public gathering will be held. Pursuant to article 9, the authorised organ temporarily issues a ban of the public gathering intended to effect a change in a violent manner of the existing order as determined by the Constitution, violation the territorial integrity and independence of the Republic of Serbia, violation of freedoms and rights of person and citizen guaranteed by the Constitution, and instigation of national, racial and religious hatred. The authorised organ shall inform the organiser about the temporary ban of the public gathering in question 12 hours at the latest before the time for which the gathering is scheduled. According to article 11, the authorised organ may ban temporarily a public gathering in order to prevent disruption of public traffic, threats to health, public morality or safety of people and property.

Short-term priorities

- Review legislation concerning religious rights in order to ensure its harmonisation with the Constitution
- Undertake actions in cases of alleged abuses and strengthen services of internal control dealing with cases of alleged police abuse

- Improve conditions at institutions for execution of criminal sanctions, ensure adequate supervision of conditions in prisons for inmates serving longer sentences as well as for those convicted on charges of involvement in organised crime, and ensure further training of prison personnel and improvement of facilities for prisoners with special needs

Improvement of living and working conditions for persons deprived of their liberty is the fundamental priority of the Administration. This has been set as a priority due to the fact that in the past five years there has been an increase in the number of incarcerated persons by over 40%. In accordance with the domestic legislation, all international standards for treatment of persons deprived of their liberty, and the policy of the Government of the Republic of Serbia, the principal responsibility of the Administration for the Execution of Criminal Sanctions is to achieve the best possible operational standards with the existing available funds. The Administration has a large number of facilities as part of its 28 institutions for the execution of criminal sanctions and the Personnel Training Centre, as well as 3,611 employees, but limited budget funds.

It is important to make a projection of the expected number and types of available places at institutions for the execution of criminal sanctions so that they could fulfil the expectations. Where possible, it is necessary to fully categorise institutions which would range from “open” institutions to special ones or special departments within those institutions where prisoners under a special regime would be placed. Particular attention should be dedicated to the institutions accommodating special categories of persons deprived of their freedom like minors, women, psychiatric cases, alcoholics, drug addicts, etc.

In the course of 2007, a project for primary, secondary and vocational education of the convicts at the Sremska Mitrovica prison was conducted and it was funded by the OSCE. In 2008, the project will be financed by the Administration’s funds.

In order to improve health protection at prisons, in accordance with the Law on the Execution of Criminal Sanctions and the Rules on categorisation of jobs at the Administration, medical staff services have been provided at all prisons and correctional facilities. Accommodation has been improved and necessary medical materials were provided to prison health care centres. Drug-free departments were set up as part of the strategy for voluntary treatment of drug addiction at the institutions for the execution of criminal sanctions. In collaboration with the OSCE, education of medical staff was organised. A manual on health protection of the convicts, ethical code of conduct for health workers, leaflets for convicts on health protection and protection from contagious diseases were prepared.

In order to improve the material conditions in prisons in 2007, reconstruction of parts of departments at prisons, psychiatric bloc at the Special Prison Hospital and Special Detention Unit for accommodation of persons accused of criminal offences with elements of organised crime was carried out in accordance with international standards. Four drug-free departments were set up in prisons. The construction of a new prison with strict regime started in Belgrade – Padinska Skela with the capacity of 450 prisoners. The construction is planned to be completed in August 2009.

In 2008, comprehensive activities involving the construction of infrastructure at prisons are planned in order to improve the quality and scope of accommodation capacities:

- Final stage of construction of the facility in Novi Pazar;
- Further reconstruction of the psychiatric bloc of the prison hospital in Belgrade;
- Relocation of kitchen to District Prison in Belgrade and adaptation of the visiting room;
- Adaptation of the prison and correctional facility Pozarevac-Zabela;
- Construction of a prison in Kragujevac with features for special purposes – 300 inmates – first phase;

- Construction of a strict-regime prison in Prokuplje – 300 inmates
- Relocation and construction of the central building at the correctional facility for minors in Valjevo;
- Final phase of the construction of a facility for accommodation of imprisoned prisoners at the District Prison in Subotica;
- Initial phase of relocation of Krusevac District Prison facility;
- Preparatory activities for the construction of capacities according to a new concept and international standards for accommodation of juvenile delinquents in Krusevac;
- Purchase of land for the purposes of the Cuprija prison-correctional facility;
- First phase of construction of the new prison for 500 inmates in Pancevo;
- Construction of detention and reception units at Nis prison-correctional facility – first phase;
- Resumption of the Padinska Skela project.

A special facility for accommodation of persons convicted of involvement in organised crime has been built. A bill on the execution of prison sentences for criminal offences with elements of organised crime, which regulates the conditions of accommodation, the manner in which the criminal sanction is to be executed and supervision over the implementation of the special regime for this category of convicts, has been drafted. Its adoption is planned for December 2008.

Prevention of torture of persons deprived of freedom is also ensured by internal supervision over the work of the institution for the execution of criminal sanctions carried out by persons authorised by the Administration, which control lawful and regular treatment at institutions by way of regular, controlling and extraordinary visits.

The activities of Ombudsman on the territory of Vojvodina since 2003 have provided external control over prisons in the northern province. NGO monitoring also contributes to an independent control of protection of inmate in prisons.

The Law on Civic Defender introduced a control by an independent state organ over the work of the institutions for the execution of criminal sanctions on the whole territory of the Republic of Serbia. At the moment, there is an ongoing process of selection of a deputy to the civic defender for the issue of human rights in prisons. His/her appointment will complete the system of internal and external control of protection of persons deprived of their freedom.

Justice Minister of the Republic of Serbia submitted an initiative to the National Assembly that a commission be formed as soon as possible, designated by the Law on the Execution of Criminal Sanctions as the parliament's means of control over the Administration for the Execution of Criminal Sanctions. The commission will consist of five members who are acquainted with the area of execution of criminal sanctions, but are not the employees of the Administration. They will have the powers to gain insight into the whole documentation, to talk to the inmates and prison employees as well as to visit the institutions for the execution of criminal sanctions at will.

Bearing in mind the ongoing formation of independent forms of control over the prison system which are intended to prevent torture, we expect soon a national mechanism for the prevention of torture based on the Optional Protocol to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, which was ratified by the Republic of Serbia.

1.2.3. Economic and social rights

1.2.3.1 Protection of the Rights of Women and Children and the Prevention of Discrimination

The Constitution of the Republic of Serbia guarantees equality of men and women, and prohibits any discrimination on any grounds. The legislator's objective is to ensure full development and advancement of the position of women in political, social, economic and cultural spheres so that they could attain and enjoy human rights and fundamental freedoms on a par with men.

Several articles of the Constitution of the Republic of Serbia are dedicated to the rights of the child. Children enjoy human rights that correspond to their age, and are protected from psychological, physical, economical and any other type of exploitation. The child enjoys special protection in accordance with the law, while particular protection is provided to children without parental care and children with disabilities.

- **Gender Equality**

The provision under article 15 of the Constitution of the Republic of Serbia, dedicated to gender equality, stipulates that the state guarantees equality of men and women, and develops policy of equal opportunities.

- **Prohibition of Discrimination**

The Constitution of the Republic of Serbia, in its article 21, on the basis of international documents in this field, stipulates that all are equal before the Constitution and laws as well as that discrimination, either direct or indirect, on any grounds, is prohibited.

- **Right to Work**

Article 60 of the Constitution of the Republic of Serbia guarantees the right to work, safe and healthy working conditions, necessary protection at work, limited working hours, whereby women, young and disabled people are provided special protection at work and special working conditions.

- **Right of the Child**

The Constitution of the Republic of Serbia, in its article 64, stipulates that the children shall enjoy human rights suitable to their age and mental maturity, as well as that they shall be protected from psychological, physical, economic and any other form of exploitation or abuse.

- **Special protection of the family, mother, single parent and child**

Provisions under article 66 of the Constitution of the Republic of Serbia stipulate that families, mothers, single parents and any child shall enjoy special protection in the Republic of Serbia, while special protection shall be provided for children without parental care and mentally or physically handicapped children.

- **Health Protection**

The Constitution of the Republic of Serbia, in the provisions of article 68, prescribes that everyone shall have the right to protection of their mental and physical health, while children, pregnant women, mothers on maternity leave, single parents with children under seven years of age and elderly persons shall be provided from public revenues unless it is provided in some other manner.

- **Social Protection**

The Constitution of the Republic of Serbia, in the provisions of article 69, stipulates that the citizens and families that require welfare for the purpose of overcoming social and existential difficulties and

creating conditions to provide subsistence, shall have the right to social protection the provision of which is based on social justice, humanity and respect of human dignity.

- Pension Insurance

Provisions of article 70 of the Constitution of the Republic of Serbia prescribe that the Republic of Serbia shall see to economic security of the pensioners.

- Right to Education

Article 71 of the Constitution of the Republic of Serbia stipulates that everyone has the right to education, where primary education is mandatory and free, whereas secondary education is free but not mandatory. All citizens shall have access under equal conditions to higher education.

Several articles of the Constitution of the Republic of Serbia are dedicated to the rights of the child. Thus, article 64 stipulates that children enjoy human rights suitable to their age and mental maturity as well as that they are protected from psychological, physical, economic and any other form of exploitation or abuse. Provisions under article 66 prescribe that the child enjoys special protection in accordance with the law, while special protection is to be provided to the children without parental care and mentally or physically disabled children.

A bill on restitution of property in the Republic of Serbia is currently being drafted, and it should regulate the restitution of property to previous owners, i.e. their successors or, if this is not possible, a fair compensation.

With the aim to enforce legislation related to prevention of all forms of discrimination, the Ministry of Labour and Social Policy will provide more efficient and consistent application of the Labour Law in the following period, especially its provisions regarding the prohibition of discrimination, harassment and sexual harassment (through the work of Labour Inspectorate and courts). Amendments to this law will modify and amend the existing provisions in the area related to burden of proof in cases of discrimination; also, the protection of women's and men's dignity at work will be provided for (protection from psychological harassment at work – "mobbing").

- Adoption of an appropriate law on restitution of property and its full enforcement

Adoption and entering into force of the Law on Restitution of Property, allocation of necessary budget funds for its enforcement, which will not be inconsiderable, and increase in the personnel of operational services for enforcement of this law.

- Improvement of protection of rights of women and children

In the area of protection of rights of women and children, equality of sexes and prevention of discrimination and family violence, the Republic of Serbia has adopted numerous laws and other documents, the most significant of which are:

- Labour Law of the Republic of Serbia ("Official Gazette of RS", 24/05 and 61/05);
- Law on Families of the Republic of Serbia ("Official Gazette of RS" 18/05);
- Law on Social Protection and Provision of Social Security of Citizens of the Republic of Serbia ("Official Gazette of RS" 36/91, 79/91, 33/93, 53/93, 67/93, 46/94, 48/94, 52/96, 29/01, 84/04 and 101/05), which stipulates that local self-government has an obligation to establish and finance shelters for urgent protection of abused and neglected children;
- Criminal Code of the Republic of Serbia ("Official Gazette of RS" 88/05, 88/05 and 107/05);

- Law on Underage Perpetrators of Criminal Offences and Criminal-Law Protection of Underage Persons of the Republic of Serbia (“Official Gazette of RS” 85/05);
- Law on Financial Support to Families with Children (“Official Gazette of RS” 16/02);
- Law on Social Care of Children of the Republic of Serbia (“Official Gazette of RS” 49/92, 29/93, 53/93, 67/93, 28/94, 47/94, 48/94, 25/96, 29/01, 16/02, 62/03 and 101/05);
- Law on Protection of Disabled Persons of the Republic of Serbia (other anti-discrimination laws have not yet been adopted);
- National Millennium Development Goals in the Republic of Serbia (the document was adopted in 2007 – National goal No. 4: Development of a system of protection of women victims of violence and a system of prevention of violence against women; Millennium Declaration of the UN – goal III: Improvement of equality of sexes and the position of women);
- Strategy for the Development of Social Protection – adopted in 2005;
- Strategy for Situation Improvement for Persons with Disabilities – adopted in 2006;
- Initial Framework for a National Strategy of Prevention and Protection From Violence Against Women and Family Violence – adopted in 2005 (based on recommendations of the Council of Europe and the United Nations Committee on the Elimination of Discrimination against Women) – the National Strategy has not been adopted yet;
- National Employment Strategy for 2005-2010 (adopted in 2005);
- Poverty Reduction Strategy – adopted in 2002;
- Strategy for Fight Against Human Trafficking – adopted in 2006;
- National Strategy on Ageing – adopted in 2006.

Regarding institutional support to victims of discrimination, family violence and human trafficking, aside from the network of city and municipal centres for social work, in the process of organizing and giving all forms of support, the Coordination Service is represented by the Department for Coordination of Protection of Victims of Human Trafficking, which is located within the governmental sector. It was established as an organizational unit of the Institute for Upbringing Children and Youth in Belgrade, but functions in the entire territory of the Republic of Serbia.

The Service was established in December 2003 as a joint project of the Ministry of Labour and Social Policy and OSCE Mission in the Republic of Serbia, beginning its work in March 2004. The first two years of its activities were fully financed by OSCE. Since March 2006 it has been completely financed by the national budget.

On the other side, the Government of the Republic of Austria finances the activities of the Shelter for Victims of Human Trafficking, managed by a domestic nongovernmental organization with a one-third financial participation by the Ministry of Labour and Social Policy of the Republic of Serbia. The contract was signed in 2006 and financing will be implemented in the following three years. So far, this shelter was the only such shelter in the country and in separate facilities it houses the victims of family violence, as well as women victims of trafficking, including underage girls with the status of victims located at the territory of the Republic of Serbia.

Recently, in several units of local self-government, i.e. cities and municipalities, institutions of self-government in cooperation with civil society have begun to establish similar shelters for victims of family violence, sexual abuse and human trafficking.

Also, when it comes to improvement of position of women, in the following period a National Commission for Improvement of Position of Women should be established, and access to free legal assistance should be provided to poor women who are victims of family violence.

1.2.4 Rights of minorities, protection of minorities and cultural rights

Republic of Serbia has ratified the most important universal and regional international contracts, including the Framework Convention for the Protection of National Minorities, which protects the rights and freedoms of the members of minorities.

Republic of Serbia is a successor of the following bilateral agreements on the protection of national minorities:

- Agreement between Serbia and Montenegro and Republic of Macedonia on the protection of Serb and Montenegrin national minority in the Republic of Macedonia and Macedonian national minority in Serbia and Montenegro (“Official Gazette of Serbia and Montenegro”, International Contracts, Issue 6/2005)
- Agreement between Serbia and Montenegro and the Republic of Hungary on the protection of rights of Hungarian national minority living in Serbia and Montenegro, and Serb national minority living in the Republic of Hungary (“Official Gazette of Serbia and Montenegro”, International Contracts, Issue 14/2004)
- Agreement between Federal Government of the Federal Republic of Yugoslavia and Rumanian Government on cooperation in the field of protection of national minorities (“Official Gazette of Serbia and Montenegro”, International Contracts, Issue 14/2004)
- Agreement between Serbia and Montenegro and the Republic of Croatia on the protection of rights of Serbian and Montenegrin minority in the Republic of Croatia, and Croatian minority in Serbia and Montenegro (“Official Gazette of Serbia and Montenegro”, International Contracts, Issue 3/2005)

In the Republic of Serbia, national minority is defined in article 2, paragraph 1 of the Act on Protection of Rights and Freedoms of National Minorities (“Official Gazette of Federal Republic of Yugoslavia”, Issue 11/2002) and according to the law, a national minority is each group of citizens which is representative enough by numbers, although it represents a minority in the territory of the Republic of Serbia, belongs to some of the groups of population which are in a long standing and firm connection with the territory of the state and possesses features such as language, culture, national or ethnic affiliation, origin or it preserves its joint identity, including culture, tradition, language or religion.

In the Constitution’s Principles, article 14 stipulates that the Republic of Serbia should protect the rights of national minorities and guarantee special protection to national minorities in order to achieve full equality and preserve their identity.

Article 47 of the Constitution guarantees freedom of expressing national affiliation, which is to say no one is obliged to declare themselves on their national affiliation.

Article 48 obliges the Republic of Serbia to stimulate understanding, acceptance and respect of differences that exist due to ethnic, cultural, language or religious identity of its citizens through measures in education, culture and public media.

Apart from rights guaranteed to all citizens by the Constitution, article 75 of the Constitution guarantees to members of national minorities additional, individual and collective rights. Through collective rights members of national minorities are participating directly or through their representatives in the decision

making or deciding themselves on certain issues related to their culture, education, media and official use of language and script in accordance with the law. In order to exercise their right to self-management in the said fields, members of national minorities can elect their national councils in accordance with the law.

National councils of national minorities as institutions of cultural autonomy of national minorities with certain public and legal authority, were introduced to the legal system in 2002 by adoption of the Act on Protection of Rights and Freedoms of National Minorities. According to Article 19, paragraph 1 of the Act, members of national minorities can elect national councils in order to exercise their right to self-management in the fields of official use of language and script, education, media and culture. The Act defines various forms of participation of national councils in the decision making process. Councils of national minorities can address bodies of authority on all levels of its organization in regard to all the issues which affect the rights and position of national minority. Public jurisdiction in the field of official use of language and script, education, culture and media in the language of national minorities can be assigned to councils and the state would provide finances necessary for the implementation of these jurisdictions. Financing of national councils is being done from the budget on various levels of organization of public authority and from donations. National councils are financed by the Republic of Serbia and Autonomous Province of Vojvodina from their budgets, as well as certain local self-managements. In the implementation of the Act on Protection of Rights and Freedoms of National Minorities so far, members of national councils of minorities were allowed to participate in certain bodies significant to the protection and improvement of the position of minorities, in international cooperation, as well as in direct decision making on certain issues significant for the exercise of minority rights.

The national councils were elected by members of the Bosniak, Bulgarian, Bunjevac, Vlah, Greek, Egyptian, Hungarian, Macedonian, Roma, Romanian, Ruthenian, Slovak, Ukrainian, Croatian, German and Jewish national minorities.

The Council of the Republic of Serbia for national minorities was formed in 2004. According to Article 2 of the Decree on Education of the Serbian Council For National Minorities, the Council is expected to: 1. verify national symbols, insignia and holidays of national minorities, on proposal from national councils of national minorities (henceforth: national councils); 2. consider draft laws and other regulations significant for the exercise of rights of national minorities and give recommendations about it to the Government; 3. monitor and consider the state of exercise of rights by national minorities in the Republic of Serbia and the state of inter-ethnic relations in the Republic of Serbia; 4. propose measures for improvement of full and effective equality of members of national minorities and consider measures proposed to that purpose by other bodies and agencies; 5. monitor the realization of cooperation of national councils with authorized bodies of the Republic of Serbia, autonomous provinces and municipalities, cities and the city of Belgrade; 6. consider conditions for the work of national councils; 7. consider realization of international obligations regarding the exercise of rights of members of national minorities in the Republic of Serbia and international cooperation of national councils, and 8. carry out other jobs defined by the law. According to article 3 of the Decree on Education of the Serbian Council for National Minorities, members of the Council are prime minister, minister of state management and local self-management, minister of culture, minister of education, minister of religions, minister of justice and interior minister, as representatives of the Government, chairmen of national councils formed in accordance with the Act on Protection of Rights and Freedoms of National Minorities and chairman of the Union of Jewish Communities of Serbia, which has a status of the chairman of a national council. According to paragraph 2 of the same Article, prime minister is the chairman of the Council. Article 4 of the Decree defines that in the decision making process of the

Council, the decision is made by majority of the votes from all members of the government, and majority of the votes from all chairmen of national councils.

Beside general ban on all discrimination, Article 76, paragraph 2, of the Constitution forbids discrimination based on affiliation to national minority. Special regulations and temporary measures which the Republic of Serbia may introduce in economic, social and political life are not considered to be discrimination if they are aimed at achieving full equality between members of national minorities and citizens who belong to majority, if their purpose is to eliminate exceptionally unfavourable life conditions which specially affects them.

According to Article 77 of the Constitution, members of national minorities have under the same conditions as other citizens the right to take part in management of public affairs and take up public positions. Constitution in paragraph 2 specifies that a special consideration should be taken of the national make-up of the population and the appropriate representation of members of national minorities during employment in state bodies, public services, bodies of the Autonomous Province and units of local self-management.

In 2006, Government of the Republic of Serbia adopted Conclusions on Measures for Increase of Participation of Members of National Minority in the Bodies of State Management, which specifies that the Government, directly and through its authorized bodies and services, will permanently undertake measures to increase the participation of members of national minorities in the state management. The Service for Human and Minority Rights has, in coordination with the Service for Staff Management, established a plan of activities on implementation of Serbian Government's Conclusions on Measures for Increase of Participation of Members of National Minority in the Bodies of State Management and undertaken concrete measures aimed at its realization.

In article 79, paragraph 1, the Constitution guarantees a series of significant rights for preservation of minorities' identity: right to expressing, preserving, developing and publicly expressing national, ethnic, cultural and religious particularities, use of their own language and script, and conducting certain management procedures in that language, education in their own language in state institutions and institutions of autonomous provinces, use of their name and surname in their own language, use of their symbols in public places, have traditional local titles, names of streets and settlements and topographic signs written in their own language in areas where they make up a significant population, full and unbiased news in their language, forming of their own public media, in accordance with the law. Paragraph 2 of this article explicitly enables autonomous provinces to guarantee additional rights.

Beside jurisdiction of state bodies in securing the rights to members of national minorities, wider authorities are given to the autonomous province and local self-management, as defined by the Act on Establishing Certain Jurisdictions of the Autonomous Province of Vojvodina ("Official Gazette of the Republic of Serbia", Issue 6/2002) and Act on Local Self-Management ("Official Gazette of the Republic of Serbia", Issue 129/2007)

In Article 80, paragraph 1, the Constitution specifies that in the purpose of preserving and developing national and cultural particularities, members of national minorities have the right to found educational and cultural associations which are financed on the voluntary principle. The Act on Protection of Freedoms and Rights of National Minorities specifies that the state should aid them financially.

In article 12, the Act on Protection of Freedoms and Rights of National Minorities prescribes that in order to preserve and develop national and ethnic particularities, members of national minorities have the right to found special cultural, artistic and scientific institutions, societies and associations in all fields of cultural and artistic life, as well as that the state is obliged to take part in financing of those societies and associations, in accordance with its possibilities. Instigation and support in providing content in the field of culture in the language of national minorities in radio and television programs of

public service is also the state's obligation. Museums, archives and institutions for protection of cultural monuments founded by the state are obliged to secure presentation and protection of cultural and historical heritage of national minorities.

Article 80, paragraph 3 of the Constitution guarantees members of national minorities the right to undisturbed ties and cooperation with compatriots outside the territory of the Republic of Serbia.

According to article 81 of the Constitution, the Republic of Serbia is obliged to stimulate the spirit of tolerance and inter-cultural dialogue in the field of education, culture and media and undertake efficient measures for improvement of mutual respect, understanding and cooperation among all people who live in its territory, regardless of their ethnic, cultural, language or religious identity.

Short term priorities

- To secure the respect of Constitutional decrees which regulate the rights and protection of minorities and full implementation of strategies and action plans related to integration of the Roma, including repatriates

Based on the Strategy for Integration and Giving New Authorities to the Roma, Strategy for Reduction of Poverty and other relevant local and international documents, the Republic of Serbia drafted its action plans in the fields of education, employment, housing, healthcare, as a condition for joining the Decade of Integrating the Roma 2005-2015, as well as in the fields of social security, media, culture, anti-discrimination, as well as action plans related to personal documents and specific position of women, repatriates on the basis of agreement on readmission and internal dispersed people from Kosovo. In 2006, the Secretariat for the Roma National Strategy with the Service for Human and Minority Rights initiated forming of working groups for action plans within the authorized ministries, whose basic tasks are: planning priorities, budget and programs, and monitoring the realization. Working groups are led by assistants to ministers and members are representatives of the Secretariat for the Roma National Strategy, representatives of international organizations, Roma NGOs, consultants from ministries and other experts. The Secretariat is taking part in initiating, defining, and coordinating all the said activities by authorized ministries.

In the field of readmission, three special programs were carried out: 1. The Office for admission of repatriates according to the agreement on readmission at the Belgrade airport, which deals with admission of all, and especially deported repatriates; 2. Centre for Integration of Repatriates according to agreement on readmission, which is currently a part of the Program of Aid to the Roma, while organizationally it is a part of the Government's Service for Human and Minority Rights (on one hand, the Centre provides legal aid to repatriates dealing with individual cases, and on the other, in cooperation with authorized institutions, analyzes and creates mechanisms for integration of repatriates); 3. Project of raising awareness among state and local bodies and among repatriates on the issues of readmission. Among other things, the program includes training in ten municipalities across Serbia for integration of repatriates and supports measures of integration of repatriates' children. In the organization of the Service for Human and Minority Rights, a Manual for Procedure During Integration of Repatriates was drafted (for employees) in Serbian, Hungarian, Albanian and English, and the Informer (for repatriates) in Serbian, Roma, German, Dutch and English.

- To resume supporting good inter-ethnic relations, including measures in the field of education

Stimulating and cherishing the spirit of tolerance and inter-ethnic dialogue is invaluable in multiethnic and multicultural societies such is the society in the Republic of Serbia. Mutual respect, understanding and cooperation among people of different national, language and religious affiliation is one of the main objectives of the minority policy in the Republic of Serbia. Cherishing the spirit of tolerance and inter-cultural dialogue was the subject of some of the joint projects by state bodies, non-government

organizations and international institutions. Round tables, conferences, seminars on tolerance were organized, as well as multiethnic sporting events in nationally mixed regions.

Improvement of tolerance and multi-ethnic dialogue occurs through the work of other bodies and centres as well. Province's Secretariat for Management, Regulations and National Minorities in Autonomous Province of Vojvodina is coordinating activities on Vojvodina Government's projects, aided by the Serbian Government, under the title Affirmation of Multiculturalism and Tolerance in Vojvodina, whose basic goals are to cherish and develop the values of multi-ethnicity and multiculturalism, as a part of the open democratic society based on the rule of rights. This project is being carried out in cooperation with other province's bodies and institutions, non-government and sport organizations, educational and cultural institutions, as well as partly in cooperation with business companies.

In order to stimulate and accept tolerance, inter-cultural dialogue and understanding of value of differences in multiethnic and multicultural society such is the society of the Republic of Serbia, representatives of the Service for Human and Minority Rights, national councils of national minorities and Union of Jewish Communities, and Public Broadcast Service, in September 2007 signed the Agreement on Cooperation in Producing and Broadcasting Program Related to National Minorities Living in Serbia. The programs on national minorities, whose production will include representatives of national councils of national minorities, will present cultural, historical, language, customs and other features of Bosniak, Bulgarian, Bunjevac, Vlah, Greek Egyptian, Jewish, Hungarian, Macedonian, Roma, Romanian, Ruthenian, Slovak, Ukrainian and Croatian national minorities. Special agreement will regulate the production and broadcast of program on national minorities which have no registered national council.

- To intensify work of national minorities' councils, including adoption of new legislation

Work of the national minorities' councils in 2008 is considerably intensified by allotting larger portion of the budget to them. In 2007, it was 63,000,000 dinars, as opposed to 150,000,000 dinars planned for 2008, which is a 138 per cent increase. The money intended for the work of national councils from the budget is distributed in accordance with the decisions of national councils themselves, which respects their financial autonomy and there are no means of control of the way the finances are spent. The total budget of the Serbian Government's Service for Human and Minority Rights for 2008 is 93,000,000 dinars.

A special working group for the drafting of the law on elections and authorisations of national councils was formed.

- To promote participation of members of minorities in legislation and police and resume activities aimed at raising awareness, including use of minority languages

Authorities of the Republic of Serbia have undertaken significant measures to increase the presence of members of national minorities in bodies of state authorities. In January 2004, amendments to the Act on Election of Members of Parliament were adopted, which cancelled the election census for parties which gather members of national minorities, making it easier for members of national minorities to participate in legislative power and creating better conditions for participation of members of national minorities in the bodies of executive power. What's more, certain sectors of executive power in which the number of members of national minorities was not satisfactory, have undertaken measures to increase it. Thus, the Ministry of Interior Affairs, beside creating and maintaining the multiethnic police in southern Serbia, began advertising tenders for employment in certain minority media, provided tests for checking knowledge for employment in minority languages, and, in cooperation with the OSCE and other organizations, launched many projects aimed at, among other things, increasing the number of members of national minorities in police forces, such as: Police in Multi-Ethnic Environment, Police and the Roma Community, Police's Work With the Marginalized, Minority and Socially Threatened Groups,

etc. In May 2006, Serbian Government adopted the Conclusion on Measures for Increasing Participation of National Minority Members in Bodies of State Management. Article 1 of the Conclusion emphasises that, in order to carry out the policy of creating conditions for the increase of active participation of members of national minorities in the work of state management bodies, the Government will directly and through its authorized bodies permanently undertake measures to increase the participation of members of national minorities as state officials and employees in the bodies of state management. Article 8 of the Conclusion specifies that when filling up open position through a public tender, the Service for Staff Management will publish the public tender in languages of national minorities, especially when the open position comes in the regional branch of the state management located in the territory which is mainly and traditionally populated by members of national minorities. In Article 9, the Conclusion prescribes that state management bodies which have more than one third of the total number of systematized executors working in branch offices formed in the territory which, in accordance with decisions from authorized bodies of units of local self-management, have an official use of language of one or more national minorities, undertake measures that House Rules on Internal Management and Systematization of Jobs include a certain number of jobs whose precondition for certain executors is the knowledge of at least some of the languages and scripts in official use in the territory of the said branch, and according to the decision by the units of local self-management in that territory. The Government will take special care of this when agreeing to house rules on internal management in systematization of jobs. Special measure for increase of participation of members of national minorities in the state management bodies is specified in article 10 of the Conclusion, saying that when an election procedure under public tender for filling up an open position in branch offices from article 9 of the Conclusion includes a written test for expert capabilities, knowledge and skills of candidates, the candidates will be provided tests or other forms of written examination in appropriate languages of national minorities as well. Article 11 of the Conclusion specifies that when a list of candidates for election or elected candidates is being made based on the public tender results, the tender commission, or the head of the state management body, is obliged to take special care, within the implementation of the principle of professionalism, which includes expert capabilities, knowledge and skills of candidates for doing the job in state management as basic criteria for the election, among equal candidates, that members of national minorities are represented in the overall structure of employees in the body. Serbian Government's Service for Human and Minority Rights and Service for Staff Management have undertaken concrete measures for implementation of plans specified in the Conclusion. It was agreed that all public tenders for open positions should be sent to national councils of national minorities for translation, as well as that they would be published in minority languages in media chosen by national councils of national minorities on the cost of budget.

In the territories populated by national minorities, for judges are being elected representatives of those national minorities if they meet the conditions for the election.

For example, in the territory of District Court in Subotica, representatives of national minorities – judges and judicial staff are represented in the following numbers and percentage:

- District Court in Subotica – 40 per cent of judges are Hungarians, as well as 21 employees,
- Municipal Court in Ada – 100 per cent of judges are Hungarians, as well as 17 employees.
- Municipal Court in Backa Topola – 50 per cent of judges are Hungarians, as well as 21 employees,
- Municipal Court in Kanjiza – 90 per cent of judges are Hungarians, as well as 10 employees,
- Municipal Court in Senta – 80 per cent of judges are Hungarians, as well as 10 employees,
- Municipal Court in Subotica – 16 per cent of judges are Hungarians, as well as 29 employees.

When it comes to judges and judicial staff who speak the language of the national minority, we enclose the following:

Territory of the District Court in Pancevo:

- Municipal Court Alibunar has two judges who speak Romanian, one judge who speak Slovakian, and one judge who speaks Roma language, as well as 11 employees who speak either Romanian or Slovakian.
- In the Municipal Court in Kovacica, all judges speak Romanian or Slovakian, as well as 20 employees.
- In the Municipal Court in Pancevo, two judges speak Romanian, two Slovakian and one Hungarian, and ten employees speak either Hungarian or Romanian.

Territory of the District Court in Novi Sad:

- In the District Court of Novi Sad, one judge speaks Hungarian, as well as 30 per cent of employees.
- In the Municipal Court of Novi Sad, 43 employees speaks Hungarian
- In the Municipal Court of Backa Palanka, one judge speaks Hungarian, three employees speak Slovakian, and two employees speak Hungarian.
- Municipal Court in Becej – one judge and 30 per cent of employees speak Hungarian.
- Municipal Court in Temerin – one judge and all employees speak Hungarian.
- Municipal Court in Titel – one judge and one employee speak Hungarian.
- Municipal Court in Vrbas – all of them speak Hungarian.

The territory of the District Court in Vranje:

- In the Municipal Court in Bosilegrad – all judges and judicial staff speak Bulgarian.
- In the Municipal Court in Bujanovac – one judge speaks Albanian, as well as eight employees
- In the Municipal Court in Presevo - 3 judges speak Albanian, as well as 14 employees
- In the Municipal Court in Surdulica - 2 judges speak Bulgarian, one employee speak Romanian, and one Bulgarian.

The number of ongoing processes in the language of national minorities:

In the territory of the District Court in Pancevo, in the Municipal Court of Bela Crkva, there are two criminal proceedings in Romanian.

In the territory of the District Court in Novi Sad, the following processes are being handled in languages of national minorities:

- Municipal Court in Novi Sad – average 20 cases annually are held in languages of national minorities.
- Municipal Court in Becej – 6 ongoing criminal procedures are handled in Hungarian.
- Municipal Court in Temerin - 8 ongoing criminal procedures and around 15 per cent of court cases are being conducted in Hungarian.

In the territory of the District Court in Vranje, in the Municipal Court in Bosilegrad, 10 procedures are conducted in Bulgarian, while other courts from this territory have no requests from parties for conducting cases in the language of national minorities.

In the territory of the District Court in Subotica:

- In the Municipal Court in Subotica, 326 procedures are conducted in Hungarian.
- In the Municipal Court in Kanjiza, 251 procedures are conducted in Hungarian.
- In the Municipal Court in Senta, 368 procedures are conducted in Hungarian.
- In the Municipal Court in Ada, 48 procedures are conducted in Hungarian.
- In the District Court in Subotica, 29 procedures are conducted in Hungarian.

When it comes to court interpreters, in the territory populated by national minorities, primarily in the Autonomous Province of Vojvodina, where Hungarians represent 3.9 per cent, court interpreters are appointed in order to participate in judicial or other procedures of the state bodies. Advertising for or appointing court interpreters is carried out by the Province's Secretariat for Management, Regulations and National Minorities as hired jobs.

Preparation of the Memorandum on Cooperation Between the Ministry of Justice and the OSCE on project entitled Training of Permanent Court Interpreters for the Roma language is currently in progress.

High Council of the judiciary is appointing jury from the ranks of national minorities in territories populated by national minorities.

- To harmonize the relevant judiciary with the new Constitution and secure full protection of minority rights, especially rights to education in native language

CURRENT STATE OF PRIORITIES

The new Constitution of the Republic of Serbia contains a wide range of minority rights, and all laws on education are put into accordance with the new Constitution.

According to the Act on Primary School of the Republic of Serbia, classes in languages of national minorities or bilingual classes are organized in environments where there are at least 15 pupils for registration into the first grade. Based on the decree in article 5, paragraph 2, classes can be organized for smaller number of pupils if approved by the minister of education.

The method of bilingual implementation of the school program in primary schools in the Republic of Serbia is prescribed by the minister of education. Article 12 of the Act on Establishing Specified Jurisdiction in the Autonomous Province, among other things, specifies that the approval for the realization of school program in languages of national minorities for less than 15 pupils is given by the province's body in the territory of the Autonomous Province of Vojvodina.

In the Republic of Serbia, the whole primary education, which is to say learning of the native language with elements of national culture, is being carried out in the following languages: Hungarian, Romanian, Ruthenian, Slovakian, Croatian, Bulgarian, Albanian, Roma, Ukrainian and Bosnian. The total of 31,835 primary school pupils attends every class in some of the minority languages, while 12,871 of them attends the class of native language with elements of national culture.

Education in minority languages in secondary school institutions in the Republic of Serbia is regulated by the Act on Secondary School, based on which the realization of the school program in the languages of national minorities requires minimum of 15 students in the first grade classes in general, specialized and art schools (article 5, paragraph 1). Classes held in minority languages for a lesser number of students requires approval from the minister of education. The said decrees of the Act specify that the

precondition for the exercise of right to secondary school education in the language of minorities require that 15 students request such education. Decrees of the article 5 of the Act on Secondary School in the Republic of Serbia oblige secondary schools that, in environments where the classes are held only in languages of national minorities, conditions for school program in Serbian language have to be provided. Article 12 of the Act on Establishing Specified Jurisdiction in the Autonomous Province, among other things, specifies that the approval for the realization of school program in languages of national minorities for less than 15 students is given by the province's body in the territory of the Autonomous Province of Vojvodina. In the Republic of Serbia, the whole secondary education, which is to say learning of the native language with elements of national culture, is being carried out in the following languages: Hungarian, Romanian, Ruthenian, Slovakian, Bulgarian and Albanian. The total of 10,174 students of secondary schools attends the whole program in some of the minority languages, while 640 of them attends the class of native language with elements of national culture.

- To adopt a new law on refugees and continue with the implementation of the national strategy for refugees

1.3. REGIONAL COOPERATION AND INTERNATIONAL OBLIGATIONS

1.3.1. Regional Cooperation

1.3.1.1. Multilateral regional cooperation

Active participation and support to regional cooperation is one of the fundamental priorities of Serbian foreign policy. In order to achieve that priority, Serbia participates in numerous regional initiatives and processes: South East European Cooperation Process, Stability Pact, – Regional Cooperation Council (RCC), Central European Initiative (CEI), South East European Cooperation Initiative (SECI), Regional Initiative for Migration, Asylum and Refugees (MARRI), Black Sea Economic Cooperation (BSEC), Adriatic and Ionian Cooperation, The Danube Cooperation Process, International Commission for Protection of the Danube River (ICPDR), the Danube Commission, International Commission for the Sava Region, as well as a whole range of specialized initiatives and centres mainly launched under the auspices of South East European Stability Pact.

The Republic of Serbia has also very actively participated in negotiations and signed significant international treaties covering the regional countries: Central European Free Trade Agreement, CEFTA, in 2006, Energy Community Agreement, Agreement on Establishing Common European Aviation Area, as well as the Memorandum on Development of Regional Transport Network, which is to grow into the Agreement on Transport Community. The headquarters of South East European Transport Observatory (SEETO) is in Belgrade, as well as the Centre for Control of Small and Light Weapons (SEESAC).

The Agreement on Amendments and Ratification of CEFTA 2006 was signed on 19 December 2006 in Bucharest. The National Assembly of the Republic of Serbia ratified CEFTA on 24 September 2007 and it came into force on 24 October 2007. The Network had by then signed 32 bilateral agreements of free trade in SEE region and it was superseded by a multilateral agreement. CEFTA 2006 envisages holding concessions that refer to trade in goods from bilateral free trade agreements. Concluding CEFTA, way was made for a more even regional development, strengthening solidarity, harmonization of structural reform policies, investment and development, improvement of infrastructure, competition and economy, creating a better image and faster and easier approximation to the EU and participation in international trade. A clear signal was sent that the region has achieved a higher degree of political maturity and rationality for settling all the relations. Total commodity exchange between Serbia and the region has a steady growth, so in 2007 the share of CEFTA exchange in total export was 32.3%, and in import 8%. After the EU, the CEFTA member states are the second most important foreign trade partner. Exports of

agricultural and food products are especially represented, i.e. half of total exports of these products from Serbia to the world is directed to this market.

The Republic of Serbia has significantly contributed in the process of defining a new concept of regional cooperation and transformation of the Stability Pact into the Regional Cooperation Council. The new phase of regional cooperation implies a proactive role and greater responsibility of the regional countries, and the backbone consists of the functionally connected South East European Cooperation Process and the Regional Cooperation Council (PEP).

The Republic of Serbia is an active participant in the Cooperation Process, which represents the main regional forum for political dialogue and for streamlining cooperation in the areas of common interest. The Republic of Serbia (i.e. FRY before) presided over this forum in the period 2002-2003, and there is an interest to apply for presidency in 2010-2011.

The Regional Cooperation Council officially commenced its work on 27 February 2008. The RCC Secretariat, seated in Sarajevo, has an EU and NATO liaison office in Brussels. The RCC is going to be focused primarily on implementation of projects in six priority areas of regional cooperation: economic development, infrastructural development, judiciary and the interior, security sector, strengthening human potential and parliamentary cooperation. The RCC Secretariat is going to get operationally involved in implementation of conclusions of the Cooperation Process Summit. The new concept of regional cooperation demands an active approach of the regional countries, Serbia included, in political streamlining, programming, monitoring, funding and human resources. The Republic of Serbia will actively participate in the work of RCC and get involved, especially in the initial stage, in programme and organizational consolidation of RCC and in building a functional relationship with the Cooperation Process.

In the Central European Initiative, Serbia will focus its activities in the forthcoming period besides the basic modalities of action through experience exchange and cooperation with the member states in the process of the European integration, on finalization of the CEI restructuring process. That process implies derogation of the so far working groups and their superseding with so-called focal points that all the member states will appoint in 13 cooperation areas identified as the future CEI priorities. The Republic of Serbia will pay a special attention to promotion of projects of broader regional cooperation, and in those terms advocate for a higher degree of cooperation between CEI and other regional initiatives.

Within SECI, the Republic of Serbia has been actively cooperating in SECI Centre for Combating Organized Crime, seated in Bucharest. Serbia has detached its police and customs representatives, and participated in the work of the Working group for negotiations on SELEC Convention (Southeast European Law Enforcement Centre). This Convention is expected to create a new legal basis for the future activities of the Centre, to determine privileges and immunities, regulate partner relations in certain authorities, work out the institutional and operational links with EUROPOL, as well as to define the corresponding actions to be taken in different periods.

In the Adriatic-Ionian Initiative, the Republic of Serbia will be involved in further profiling of this initiative in accordance with the needs and priorities of the member states, and in improving the activities' coordination of the AII with other regional initiatives. It will act for focusness to smaller number of specific topics of interest for the participatory countries and support the newly founded AII Secretariat in Ancona. It will consider the possibility of presiding AII in the period 2009-2010, after the Greek presidency.

The Republic of Serbia actively participates in the work of the International Commission for the Sava Region, seated in Zagreb. Serbia, as the country farthest downstream the Sava, is especially keen on expediting the completion of Protocol on specific issues (transboundary pollution, prevention of

pollutions from navigation vessels, on emergency situations, protection from flood, surface water streams, ice, draught and lack of water). We have a permanent interest in providing efficient navigable waterway of the River Sava within the sustainable European navigation and the overall transport policy of the EU, intensification of cooperation in the field of tourism and cultural cooperation, implementation of joint projects to connect economic, scientific and other activities in the Danube and the Sava regions.

In the Migration, Asylum and Refugee Regional Initiative (MARRI), the Republic of Serbia will continue its active participation in the work of MARRI regional centre in Skoplje, through its permanent representative, as well as in implementation of projects directed toward harmonization of regional legislation and practice with those effective in the EU countries, when it comes to migration. The advantage in MARRI participation is primarily in the possibility for our authorities to have a direct communication with regional partners, international organizations dealing with migration (IOM, UNHCR) and the EU, and thus to gain new necessary experience. Our endeavours, like so far, will be directed toward enhancement of regional cooperation in this area, whereby the member states, and the region on the whole, prove their capability to cooperate independently and to harmonize their policies in a very important segment of Euro-integration - migration.

Starting from the point that regional cooperation is one of Serbia's foreign policy priorities, as well as an integral part of the Stabilization and Association Agreement, the Republic of Serbia will try to take the following actions for its more efficient participation in the regional processes:

- Functional involvement of regional cooperation in organization structures dealing with European integration and its treatment as an integral part of the EU integration;
- Establishment of continual coordination among governmental sectors relevant for various forms of regional cooperation;
- Strengthening administrative capacities and their functional attachment to the European integration process;
- An elaborate use of possibilities for greater influence and promotion of Serbia's interests in the regional initiatives through the presiding function, taking important positions in secretariats, situating seats of regional centres in Serbia, etc. Participating at top level summits and ministerial meetings;
- Planning to detach experts and trainees to the regional initiatives' seats in order to take a proactive stand and to participate in all relevant issues important for Serbia and for specialization of its human resources;
- Organized involvement of other cooperation factors, especially local authorities, economy (chambers of commerce, associations), media, NGOs and civic associations, etc.;
- Popularization of regional cooperation results, informing general public of the role and importance of regional cooperation.

The Republic of Serbia, during 2006 and 2007 presided over the Process of the Danube Cooperation. During that period, a Business Conference and the Third Ministerial Conference were held in Belgrade. Serbia's two-year presidency was marked as very successful by all participants, especially by Austria as PDC's founder. Serbia will continue to actively participate in all six dimensions of PDC (economic, environmental, navigation, tourism, culture and sub-regional).

Serbia's three-year presidency over the Danube Commission (DC) ends in 2008. Bearing in mind the basic obligations that the presiding country has (representing the Danube Commission in international relations, preparation and chairing all plenary meetings and the obligation of monitoring the conclusions, supervision of DC Secretariat's work, responsibility for budget allocation, etc.), Serbia is achieving the priorities it set at the beginning of its presidency – Serbia's affirmation as a constructive

and qualified partner, establishing forms of inter-sectoral communication and allotment of responsibilities to Serbian institutions dealing with this matter, as well as their professional preparedness and coherent appearances at DC sessions.

The Republic of Serbia presided over Black Sea Economic Cooperation Organization - BSEC from 1 November 2006 to 30 April 2007. Defining its presidency priorities, the Republic of Serbia had in mind the current state of play in BSEC and the fact that two BSEC member states, Romania and Bulgaria, became EU member states during our presidency, and, in particular, the need to reform BSEC in order to enhance efficiency. Among our priorities, there were strengthening BSEC's international position, institutionalization of cooperation with the EU, completion of BSEC reform process and improvement of cooperation in combating organized crime and terrorism, in transport, environment protection, tourism and culture. Almost all priorities got a concrete valuation in form of signing agreements and adoption of relevant legal documents, as well as their placement in the very top of priority activities of the organization and its working groups, which has been confirmed by their incorporation into the priorities of the next BSEC presiding country, Turkey. During our term, contacts with the EU were reinforced. BSEC adopted a document on relations with the EU, while the European Commission published two communiqués, the second of which, "Black Sea Synergy – a New Regional Cooperation Initiative", was the basis for holding the first ministerial meeting between the EU and the countries of larger Black Sea region, on 14 February 2008, in Kiev.

The Republic of Serbia participates in regional cooperation mechanisms within defence and security sectors (SEEGROUP, SEECAP, the Forum for Assistance to SEE countries – SEEC, the Process of South East European Defence Ministers' Cooperation - SEDM) as well as in Vilnius Group meetings, American-Ionian Charter and the "Adriatic-Baltic-Atlantic" group

In the SEDM process, Serbia has had an observer status since 2006 and before that it participated in meetings of MoDs and deputy Chiefs of General Staff in the guest capacity. Serbia's Defence Ministry announced its full membership application in Kiev in October 2007, and in December 2007 it sent an Engagement Letter on Serbia's accession to this initiative. An admission decision might follow at the ministerial meeting in October 2008.

When it comes to NATO's SEE Initiative (SEEI), under the auspices of which a whole range of projects and programmes was launched, we single out these as particularly significant for Serbia's participation:

- SEEGROUP - the steering group for security in SEE – Serbia has been active in 2001 and before it joined Partnership for Peace it was a single multilateral framework for exchange of experience with NATO/PfP member states. Serbia presided in 2005 and organized the first meeting at ambassadors' level.
- SEEPRO – a project strengthening cooperation in combating terrorism. It was launched during Albanian presidency over SEEGROUP, in 2004. Serbia participated together with Albania and Moldova. A questionnaire on capacities and legal framework for of fight against organized crime was filled out and submitted to NATO.
- SEECAP – a joint document on assessment of regional security challenges and opportunities in SEE. During our presidency over SEEGROUP (2005), a revision was initialized and it was conducted in late 2007 (with adoption of a document "SEE as a contributor of security and stability")

Serbia's representatives participated on several occasions in meetings of American-Ionian and American-Baltic Charters as observers (the level of Foreign Ministry, MoD and Chief of General Staff, as well as in the meeting of Adriatic Charter Partnership Commission in June 2007 in Ohrid, which included three PfP new member states.

1.3.1.2. Bilateral cooperation with the regional countries

Bosnia and Herzegovina

Bilateral relations – Serbia attaches a great importance to development of bilateral relations with B-H. With the reduced number of pending issues in the previous period, there are good grounds to intensify cooperation, especially in economy. Both parties confirmed their wish to strengthen the political dialogue as the framework for further steps forward in bilateral and regional field. Serbia is committed to consistent respect of the Dayton Accords and appreciation of B-H as a sovereign country and neighbour of special importance. Serbia is striving for development of relations with the Republic of Srpska (marked by permanent working contacts, frequent mutual visits and conspicuous understanding of the highest state officials) and with the B-H Federation, and views it as development of overall relations with B-H. Economic cooperation – B-H is one of Serbia's most important foreign trade partners. We want to even the existing disbalance in economic contacts in favour of the Republic of Srpska compared to B-H Federation by enlarging the scope of cooperation with the B-H Federation, where there are strong economic areas, previously strongly oriented to Serbia. In 2007 Serbia's export to B-H was 759.4 million Euros, and import 373. million Euros.

Regional cooperation – The two countries are interested in intensification of cooperation in European integration, as well as in strengthening the position of all Western Balkan countries vis-à-vis the EU. This was the foundation for signing the Protocol on Cooperation between SCG and B-H in the area of European integration, in 2005. Serbia and B-H were active participants in the negotiation process between the Western Balkan countries and the EU on visa facilitations and readmission, and they are expected to cooperate during the process of this Agreement implementation. The two countries are exercising cooperation within the SEE Cooperation Process, and they have both voiced expectations that cooperation will be intensified in the forthcoming period within the Regional Cooperation Council, seated in Sarajevo.

Both countries have signed the agreement on forming SEE Free Trade Zone – CEFTA. They also cooperate within the Adriatic-Ionian Initiative and within the Sava Commission, and Serbia supports B-H's application for observer status in the Danube Commission.

Bilateral agreements – In the previous period almost all areas of cooperation have been regulated contractually and 32 inter-governmental documents have been signed. The documents in the pipeline are: Agreement on Regulating Mutual Property and Legal Issues, Agreement on Regulating Border Railway Transport, Agreement on Extradition, Agreement on Regulating Water Management Issues, Agreement on Veterinary Cooperation, Agreement on Cooperation in the Area of Plant Protection and Agreement on Cultural and Educational Cooperation.

Priorities – Intensification of high-level political dialogue, as well as enlargement of institutional and legal cooperation framework; gradual settling of pending issues (closure of negotiations on border stretching; return of refugees; status of the signed Agreement on dual citizenship, which B-H suspended on 23 February 2007).

The Republic of Croatia

Bilateral relations – A significant level of political cooperation has been achieved, as well as economic and trade partnership, and military and cultural cooperation. As a result of active normalization policy pursued by RS, a certain progress has been made in settling the pending issues. Within its policy of neighbourly cooperation and regional stability, Serbia has voiced concrete support to Croatia's endeavours toward Euro-Atlantic structures.

Croatia's decision from 19 March 2008 to recognize Kosovo's unilaterally declared independence of Kosovo and Metohija meant a negative impulse for bilateral relations.

Bilateral agreements – Conditions have been created to further broaden the contractual basis of our cooperation. Among the priorities there is closure of negotiations on the European integration cooperation Protocol, then signing the Agreement on cooperation in sustainable cross-border water management and Agreement on navigation on inland navigable waterways and their marcation and maintenance. Also on the agenda there are agreements on aviation transport, on cooperation in the area of telecommunication and postal services, as well as on setting up the Economic Council and exchange of Serbian and Croatian language instructors.

Economy – Commodity exchange is growing at the rate of about 30% annually. In 2007 it was nearly obo billion dollars; in that, Serbia's export was \$350m. In Serbia about 200 Croatian companies are operating, and Croatian direct investment in Serbia are worth 400m EUR. Conditions are being made for more adequate presence of corporate subjects from Serbia in Croatia.

Minorities – Improvement of Croatia's position in Serbia is a very prominent element of the general minority policy. Dialogue has been opened on models of political representation of Croats in the political bodies of our Republic. The Croatian language has been introduced into as official in AP Vojvodina's institutions.

Serbian minority's position in Croatia has been improved (participation in the Government), but many pending issues have not been resolved yet (tenancy rights exercising; convalidation of documents from the so-called Republic of Srpska Krajina; non-selective register of war-crime suspects; employment discrimination and inadequate representation in public services, judiciary, police, etc).

Priority activities – Dealing with pending issues through multilateral (the so-called Sarajevo process) and bilateral mechanisms (the question of refugees and missing persons), enhancing economic cooperation, signing new bilateral agreements of interest for both parties.

The Republic of Hungary

Bilateral relations are good and diversified with a corresponding political dialogue at all levels. Cooperation is taking place in direct communication of interested sectors and institutions.

In order to improve all forms of bilateral cooperation, an Intergovernmental mixed cooperation commission has been set up, with periodical meetings in one or the other country.

Hungary recognized K-M on 19 March 2008, which is going to be present in further political talks.

The two countries attach a great importance to the issue of minorities' position and it is constantly present, without disputable questions, in bilateral dialogue. For this issue a corresponding Intergovernmental mixed commission has been formed.

Hungary has been actively and concretely supportive to Serbia's Euro-integration process, both as coordinator of cooperation with the EU in justice and home affairs and through the Szeged process, which has evolved into a bilateral assistance programme to Serbia's accession to the EU.

A wholesome cooperation with Hungary is effected within the region (Euro-region Danube-Krisz-Moris-Tisa, with Romania too), and in cross-border projects.

Economic cooperation has been very successful, especially in transport, energy and banking. Between the respective national agencies for export promotion there is a Memorandum of Understanding, as well as Memorandum of Understanding between small and medium enterprises. The attention paid to economic cooperation is confirmed by existence of Hungarian and Serbian Business Council, as well as Memorandum of Understanding between the two countries' ministries of economy. Trade exchange has been incremental, but with a conspicuous deficit on the Serbian side.

Agreements: harmonization of the Protocol on succession of bilateral agreements that were enforced between SFRY and Hungary is in progress, whereby institutional and legal framework of bilateral cooperation will be completed. In February 2008 Memorandum of Understanding between Serbian Attorney General and Hungarian Attorney General. Agreement on Social Insurance has been harmonized and initialed, and Agreement on Railway Border Transport and Agreement on Combined Goods and Passengers Transport are in the pipeline. Memorandum of Understanding between Serbian and Hungarian Ministries of Justice has been harmonized and s expected to be signed.

Priorities: In developed and diversified relations such as those between Serbia and Hungary, it would be important in the next period to maintain the communication channels and the achieved degree of cooperation. Encouraging Hungarian capital to invest in Serbia is still an important priority, and also the possibility to decrease Serbia's deficit in commodity exchange. In the area of transport there are activities to be undertaken for completion of motorway Belgare-Budapest (Corridors 10), normalization of navigation on the Danube (Corridor 7) and modernization of railway transport. Hungary has voiced readiness to provide two credit lines for Serbia, 15m EUR (one for AP Vojvodina and the other for other parts of Serbia). With all this, it should be considered that Hungary is interested to support and facilitate Serbia's approximation to European integration.

Romania

Bilateral relations between the Republic of Serbia and Romania are mutually assessed as a "model of good neighbourly relations". There are no disputable issues between the two countries, and they have close stands vis-à-vis the most important regional issues. Political dialogue on high and the highest level is very intensive and working dialogue and cooperation between among various ministries is maintained in a constructive and direct way.

Mutual understanding is contributed to by a consistent stand of Romania, having reiterated for several times not to accept the unilaterally declared independence of Kosovo and Metohija and to advocate for solution through dialogue within the framework of international law.

The quality of cooperation is also contributed to by Romania's active support to resumption of negotiations and initialing the Stabilization and Association Agreement between Serbia and the EU. Romania has also voiced readiness to help Serbia with sharing its experience in the integration process, primarily related to complying with obligations emanating from the SAA. In that context, the two countries signed Memorandum of Understanding in the European integration process in May 2005.

Economic cooperation: the efforts toward enhancement of economic cooperation are illustrated by constant growth of goods exchange, though with prominent deficit on the Serbian side. Implementation of joint projects of road and railway infrastructure is being considered and also improvement of joint ventures.

Contractual state of play: between Serbia and Romania there is a continually high degree of contractually regulated cooperation. Agreement on cooperation in sustainable cross-border water management is in preparation, and Memorandum of understanding in environment protection is expected, as well as signing a new agreement on border flow of people. There is a mutual interest to sign an agreement on assistance and cooperation in emergency situations.

Priorities in relations with Romania are further improvement of relations and cooperation. In economic cooperation attention should be paid to reduction of trade deficit that Serbia has in exchange with Romania, and also various projects such as oil pipeline Constanza-Triest, building the Belgrade-Timisoara motorway and using the capacities of Romania port Constanza. In a foreseeable future Mixed Committee for economic cooperation should have a session. Also, it is necessary to revive the work of Mixed Commssion for protection of national minorities and in that framework maintain a dialogue on

the status of the Vlah in order to avoid misunderstanding, given that Romania is trying to present this ethnic community as a national minority.

Within the priorities potentials for regional cooperations should not be neglected (Danube-Krish-Morish-Tisa, with Hungary as another participant, and Vidin-Kalafat-Zajecar, with Bulgaria), and also other forms of regional cooperation in SEE.

The Republic of Bulgaria

Bilateral relations are good, without pending issues and with intensive political dialogue at all levels. When recognizing the unilaterally declared independence of Kosovo and Metohija, Bulgaria had previously pointed to the delicacy of this decision and the conviction that it would not significantly influence bilateral relations. Direct cooperation of various ministries has been established. Bilateral economic cooperation is assuming intensity though with our evident trade deficit in goods exchange. Bulgaria is among Serbia's 10 most important foreign trade partners.

In accordance with the interest voiced by both countries to build main-way gas line Nis-Dimitrovgrad, Memorandum between Serbian Government and Bulgarian Government on 8 April 2005 in Sofia, whereby gas pipeline systems would be connected. With this connection, Serbia would provide another way of gas supply (besides that via Hungary). The agreements that two countries have signed with Russia (the South Stream) open new opportunities for bilateral cooperation. The Bulgarian side has underlined the importance of air transport between Sofia and Belgrade.

Also significant is Bulgarian support to the process of Serbia's accession to the European and Euro-Atlantic integration and their advocacy for the EU to sign the SAA with Serbia.

Serbia and Bulgaria cooperate in the Euro-region "Danube 21" (Vidin, Kalafat and Zajecar) and "EuroBalkans" (Sofia-Nis-Skopje). Also intensive is the cross-border cooperation between the two countries through implementation of the EU programme for supporting cross-border cooperation projects at EU's outside borders "Neighbourhood Programme Serbia-Bulgaria".

Contractual state of play: Serbia and Bulgaria, given the long-standing continuity of relations, have contractually related cooperation in manifold areas. In 2007 bilateral agreements were signed on economic cooperation, border police cooperation and opening two new border crossings. Memorandum of Understanding in environment protection has been agreed on. Signing new bilateral agreement on small border flow is being discussed and harmonization of the text of Agreement of cultural and educational cooperation and Agreement on opening cultural and information centres.

Among the priorities in relations with Bulgaria there is linking of transport infrastructure (building motorway to the Bulgarian border), modernization of border crossings, encouraging economic cooperation and mutual investment.

The Republic of Macedonia

Bilateral relations – Total bilateral relations, without significant pending issues, are good, based on good neighbourhood and mutual supports on the way toward Euro-integration. Serbia has based the solution to the current issue of completion of Macedonian border demarcation on the stand that it is exclusively under the competences of bilateral Cross-Governmental Commission.

Economic cooperation – In the past period Serbia has become Macedonia's strategic foreign trade partner. Total foreign trade exchange in 2007 was 547.60 million EUR, with the export to Macedonia growing by 33.6%. Both parties have confirmed their mutual interest to broaden economic cooperation.

Regional cooperation – The two countries have common interest in mutual support and cooperation in the EU accession process, as well as in exchange of experience in the Euro-integration process. Serbia

and Macedonia have a successful cooperation in many regional initiatives (Regional Cooperation Council, SEE Cooperation Process, Central European Initiative, MARRI).

Bilateral agreements – Bilateral relations are accompanied by a good contractual and legal basis, with confirmed interest of both parties in further activities in order to broaden the overall cooperation. In the forthcoming period we expect commencement of procedure for signing bilateral agreement on economic cooperation and setting up a mixed commission for minorities.

Priorities – Completion of state border demarcation based on bilateral agreement and regulating the issue of border crossings. Intensification of high-level political dialogue and signing new bilateral agreements in order to deepen and improve the overall cooperation.

Montenegro

Bilateral agreements – Bilateral relations of the two countries are based on historical closeness and tradition, as well as on the mutual commitment to build the best possible relations. The Protocol on establishing diplomatic relations and exchange of ambassadors (the first ambassador of Serbia to Montenegro, Zoran Lutovac, delivered his accreditation on 6 March 2008) confirmed the mutual commitment to diverse development and deepening bilateral cooperation.

Economic cooperation – Serbia Montenegro's most important foreign trade partner, as trade with Serbia makes even 35% of the country's total foreign trade. The size of exchange in 2007 reached nearly 788 million EUR (out of which our export was 691.7 million EUR), with especially good cooperation in energy, railway transport and metallurgy.

Regional cooperation – Serbia and Montenegro have confirmed their common interest in mutual support and exchange of experience in the process of Euro-integration and accession of all Western Balkan countries to the EU. They have a successful cooperation in many regional initiatives, aiming at active participation further on.

Bilateral agreements – It is the common commitment to work on enlarging the existing contractual and legal basis, in order to create a solid basis for enlarging the overall relations. Harmonization of Agreement on Scientific and Technical Cooperation, Agreement on Cooperation in Culture and Agreement on Border Control in Railway Transport is in progress. Pursuant to bilateral agreement, diplomatic and consular chanceries of the Republic of Serbia provide consular and legal services for the citizens of Montenegro in the countries where Montenegro does not have its own chanceries.

Priorities – Intensification of high-level political dialogue and continuation of the work on institutional and legal framework of cooperation; further improvement of cooperation in all segments, with gradual settlement of pending issues (setting up a cross-governmental commission for launching negotiations on demarcation; solving issues of division and transfer of military property, etc.).

The Republic of Albania

Political relations – Political relations have been burdened with differing approaches to the issues of Kosovo and Metohija's status for quite a long time, and the latest strain of relations ensued after the Albanian Government's decision to recognize the independence of Serbia's southern province. Although Albanian officials had reiterated their stand that the issue of Kosovo and Metohija should not influence their relations with Serbia, they have not refrained from sending harsh and often offensive messages on the account of Belgrade authorities, which is why since 2005 not a single bilateral visit on high or highest level has happened. The standstill in meetings of high officials is partly compensated through regional cooperation and lower-level bilateral contacts.

Bilateral agreements – So far eleven inter-governmental treaties and acts have been signed, and another nine acts are in various stages of preparation, one of them being agreement on air transport; on international road transport of passengers and goods; on customs cooperation; on military cooperation; on cooperation in

combating terrorism and organized crime, and a need has been noted to conclude bilateral consular convention.

Agreement on visa-free regime for diplomatic and official travel documents is enforced, and the Albanian side unilaterally abolished visas for Serbian citizens in 2007, for tourist visits to Albania.

Economic cooperation – Most of the basic economic agreements is enforced, including bilateral agreement on free trade, the implementation of which brought about significant intensification of goods exchange in the past several years.

Minorities – There is a need to sign a bilateral agreement on minorities' protection in order to improve the general status of Serbian community in the Republic of Albania, especially through exercising rights to education and informing in their mother-tongue.

Priorities

- Further intensification of cooperation within regional initiatives;
- Development of economic cooperation.

The Republic of Greece

Bilateral relations have been mutually assessed as very good, with a long tradition, and they are characterized by equality in long-term interests of the two regional countries.

Greece is our very significant partner in the region, due to its political influence and economic potential, which is confirmed by the intensive and continual political dialogue.

Serbia and Greece have been successfully cooperating within regional initiatives, especially within the Black Sea Economic Cooperation (BSEC), The SEE Cooperation Process, Adriatic-Ionian Initiative and the SEE Cooperation Initiative (SECI).

Economic cooperation – The traditionally good relations with Greece are characterized by a steady increase. In 2006 goods exchange was about 252 million euros and in 2007 it was 335.72m EUR.

Greece is among the three biggest investors in Serbia. The core part of Greek investments, the scope of which has reached about 1.8 billion euros in the past 15 years, is in financial and telecommunication sector, as well as in cement, sugar and aluminum industries, through green-field investment and joint ventures. 80 Greek companies operate directly in the Serbian market and another 150 through joint ventures with local business partners.

Among the most important projects there are: financing part of motorway on Corridor 10 (Nis – Macedonian border) and linking the Balkan universities with optic cable, to provide tele-education for students in the region (SEE Light).

Bilateral agreements – Serbia and Greece have a very high level of contractually regulated bilateral cooperation. Negotiations on the following agreements are in progress or expected to be launched: on cooperation in maritime transport, employment, social insurance, return and readmission of persons who do not comply with conditions of entrance or stay on the other country's territory and the protocol on its implementation, on cooperation in telecommunication and postal services, cooperation in exchange of data and information on the issues of observing taxation regulations and on cooperation and mutual assistance in customs affairs.

The entry into force of the Agreement on avoiding double taxation for property taxes, ratified by FRY in 1998 and still not ratified by Greece, is very important.

Priorities

- Full cooperation and support to Serbia's way to Euro-integration;
- Comprehensive cooperation within regional initiatives as a substantial contribution to stabilization and development of the region;
- Development of economic cooperation, especially in energy, agriculture, transport, tourism and telecommunication and implementation of the Greek Plan for Economic Reconstruction of the Balkans (GPERB) as well as opening the two countries' markets for investment and capital infrastructural projects in transport, energy, etc.

The Republic of Turkey

Political relations – The relations are basically good and not burdened with pending issues, but by the level and intensity of political dialogue they are lagging behind those that the two countries have with other regional partners, which was primarily influenced by the differing approaches to the issue of Kosovo and Metohija's status, the independence of which was recognized by Turkey on 18 February 2008.

There is mutual readiness for further development of bilateral cooperation, and the continuation of successful and steady cooperation through various forms of regional initiatives.

Bilateral agreements - Serbia and Turkey have a high level of contractually regulated bilateral cooperation. In various stages of preparation there are, inter alia, bilateral agreements on air transport; on cooperation in combating international terrorism, drug trafficking and organized crime; on protection of confidential information and materials exchanged in cooperation of military industry; on free trade.

Agreement on visa-free regime for diplomatic, official and special passports, and the Republic of Serbia has abolished transit visas for Turkish citizens who have a regulated stay in an EU country or Switzerland.

Economic cooperation – The scope of bilateral goods exchange has been significantly growing in the past several years, but it is still below realistic potentials of the two countries.

Besides the demonstrated interest, the level of Turkish direct investment in Serbia is considerably lower than investment placed in other countries. It is worth mentioning that the company "Efes" invested more than \$50m in Serbian breweries of Pancevo and Zajecar. The joint investment group of "Belgrade Airport" and Turkish company "Technotes" won the tender for operationalization of Bodrum airport in August 2007. The business is worth about 100m euros and the work procurement is planned to start in the current year.

A significant contribution to establishing contact among business operators of the two countries is given by the *Business Council Serbia-Turkey*, and re-activation of the Mixed Commission for Economic Cooperation can mean additional impetus to development of overall economic cooperation.

Priorities

- Further intensification of cooperation within regional initiatives as a substantial contribution to the region's stabilization and development;
- Development of economic cooperation, opening the two markets' countries for investment and capital infrastructural projects in transport, energy, etc.

1.3.2. International obligations

1.3.2.1. Cooperation with the International Criminal Tribunal for Former Yugoslavia (PEP)

The Republic of Serbia's state authorities are making efforts to improve their cooperation with ICTY, taking it not only for their international obligation but also for embracement of international

standards in individual responsibility of persons who have committed war crimes and other violations of the international humanitarian law.

Full cooperation with the Tribunal is primarily viewed in the context of acceptance, building up and respect for the values and the rule of law recognized in the European countries. Besides, there is the awareness that accomplishment of ICTY's mandate will contribute to reconciliation of the nations in the region.

Forms of cooperation

Cooperation with ICTY is taking place in several segments: arrest and transfer of the indictees; cooperation in finding witnesses and suspects; submitting documentation; maintaining regular contacts with the Tribunal representatives, especially those from the ICTY Prosecutorial office; regional cooperation and support to ICTY's exit strategy.

So far the ICTY's Prosecutorial Office has filed more than 1,650 requests. The requests are processed promptly and timely, with less than 2-3% of requests still in progress or pending for replies longer than two months.

The Government of the Republic of Serbia has so far released 500 members of the military, police and other witnesses from keeping state, official and military secrets. In this area of cooperation Serbia has been providing efficient support to the ICTY Prosecutor in finding and taking statements from witnesses and suspects.

The Prosecutor has so far been provided with hundreds of thousands of documents, including confidential documents from the Supreme Defence Council meetings and those of the Ministry of Defence, state security agencies, Ministry of the Interior and other authorities. From the middle of 2006 ICTY's Prosecutorial Office has had a general and direct insight into all state archives of the Republic of Serbia. This insight permission has caused a significant increase of the number of ICTY Prosecutor's requests, which are for the same reason much more voluminous than in the past years. The ICTY Chief Prosecutor in those terms has positively assessed Serbia's cooperation in her last reports to the UN SC.

The Republic of Serbia has been constantly taking necessary actions to facilitate voluntary surrender and/or arrest of the indictees. Total number of indictees transferred to the Tribunal from Serbia is 39. The remaining four suspects, according to the ICTY's Prosecutorial assertions, are temporarily or permanently staying in Serbia. In the middle of 2006 the Government of the republic of Serbia adopted Action Plan for Completion of Cooperation with the Hague Tribunal and set up a team for the Action Plan implementation. The Action Plan is implemented in direct cooperation with ICTY's Prosecutorial Office and with adequate information exchange.

In order to step up the activities in finding the remaining fugitives, the National Security Council was set up in 2007, coordinating the work of all intelligence services and directing activities in order to comply with all obligations to the Tribunal as soon as possible. The President of the Republic of Serbia is at the helm of the Council.

Regular cooperation with the ICTY takes place through the National Council for Cooperation with the ICTY, the chairman of which is one of two Action Plan coordinators.

The legal basis of cooperation

- The Agreement with the ICTY's Prosecutorial Office on opening their office in Belgrade, giving a very broad scope of competences to the prosecutorial representatives in terms of access to witnesses and general movement and communication on the territory of the Republic of Serbia.
- The Law on Cooperation with the ICTY was adopted in 2002.

- The Law on actions toward the property of fugitive persons indicted for war crimes before the ICTY came into force on 15 April 2006. This Law, similarly to the way within the EU, introduced a measure of obligatory freeze on all funds and other assets owned or held by the ICTY indictees. Although adopted during the State Union of Serbia and Montenegro, this Law is still enforced, but it is necessary to adopt other regulations for its implementation.
- Amendments to the Penal Code of the Republic of Serbia have introduced the institute of command responsibility into Serbia's legal system.
- The adopted Law on Witness Protection (the Law on Protection of Participants in Criminal Procedure) of the Republic of Serbia additionally contributes to creation of conditions for processing war crimes.
- The Law on Organization and Competences of State Authorities in War Crime Procedures is being amended, whereby, *inter alia*, the competences of War Crime Prosecutor will be expanded to the stage of detecting perpetrators.

Home proceedings for war crimes and the Tribunal's exit strategy

Serbia supports the Tribunal's exit strategy based on SC Resolutions 1503 and 1534. The basic pre-requisite of this strategy's success is the existence and capability of the national judiciary to adjudicate the conferred cases and to meet international legal standards in proceedings. For that purpose, on 1 July 2003 Belgrade District Court Chamber and War Crime Prosecutorial Office were formed, as well as the War Crime Chamber at Serbia's Supreme Court.

The newly established judiciary bodies for war crimes have processed more than 100 persons suspected of war crimes. Different procedures against these persons are in different stages – from investigation to procedures closed with enforced judgment. These procedures, though separated as processes, are better known as groups of the following cases: "Avengers", "Strpci", "Ovcara", "Zvornik", "Scorpios", "Batajnica" and "Lovas". The war crime prosecutor has been actively cooperating with the ICTY's Prosecutorial Office in preparation of these cases. Belgrade District Court and the War Crime Prosecutorial Office are professionally and technically equipped to process those cases in accordance with the internationally recognized standards of justice. That is also the stand of the ICTY's Prosecutorial Office presented in the "Kovacevic" case that the ICTY has conferred to Serbian judiciary, and on many other occasions.

The Serbian competent authorities have joined consideration of the so-called residual issues launched in the UN and they have an active approach vis-à-vis these problems, especially with regards to the Tribunal archives.

Regional cooperation in the context of ICTY

War crime prosecutorial offices of Serbia, Montenegro, Croatia and Bosnia and Herzegovina maintain regular contacts and deepen their cooperation, which has been formally and legally established by signing memoranda on understanding with prosecutorial offices of Croatia, Bosnia and Herzegovina and Montenegro. A similar memorandum is expected to be signed with Macedonian prosecutorial office.

As a result of regional cooperation the last arrests of fugitives were executed. With joint action of Serbian and Bosnian authorities, General Zdravko Tolimir was arrested and General Vlastimir Djordjevic was arrested thanks to the joint action of Serbian and Montenegrin authorities.

SHORT-TERM PRIORITIES

- Continuation of cooperation with the ICTY, and especially taking all available actions to locate the remaining indictees.
- Strengthening national judiciary authorities and other institutional and legal capacities.

- Further investigation and detection of war crime perpetrators by national authorities.
- Active participation in further elaboration of the ICTY's exit strategy and the UN residual issues.
- Deepening cooperation with all international stakeholders, especially with the regional countries, on the afore-mentioned priorities.

MID-TERM PRIORITIES

- Strengthening national judiciary and other institutional and legal capacities.
- Further investigation and detection of war crime perpetrators by the national authorities.
- Implementation of the UN SC decisions on residual issues.

1.3.2.2. Cooperation with the International Court of Justice – Execution of the Judgment from 27 February 2007 (B-H vs. Serbia and Montenegro)

The execution of Serbia's obligation, set forth by the International Court of Justice judgment in the so-called case of the Convention on Genocide (B-H vs. Serbia and Montenegro) to punish the perpetrators of genocide and transfer the persons indicted for genocide to the ICTY is explicated in more detail in the section on cooperation with the ICTY.

Besides the afore-mentioned, it should be emphasize that in October 2007, after the judgment of the International Court of Justice, the newly established National Security Council took a decision to offer a million-euro award for information leading to location and arrest of Ratko Mladic. The same award is promised to provider of information on Radovan Karadzic, while in case of Stojan Zupljanin and Goran Hadzic it is 250 thousand euros.

Also, it should be noted that the criminal procedure against Mladic's aides, after the completed investigation, is now in the first-instance procedure stage.

2. ECONOMIC CRITERIA

2.1. EXISTENCE OF A FUNCTIONAL MARKET ECONOMY

2.1.1. Broad political consensus on the foundations of economic policy

The Law on Social and Economic Council that entered into force in December 2004 established the Social and Economic Council of the Republic of Serbia (hereinafter called the Council). The Council has 18 members, including 6 representatives of the Government, 6 representatives of established trade unions and 6 representatives of employers' associations formed for the territory of the Republic of Serbia. By consensus of all members, the Council assumes stances on important issues concerning socio-economic position of employed persons (development of collective bargaining, the impact of the economic policy and its implementation measures on social development and stability, employment policy, wage and pricing policies, privatization, occupational and environmental protection, education and professional training, health protection and social welfare) and submits them to the Government and examines draft laws and other regulations of importance for the economic and social position of employed persons and employers and submits its opinion about them to the line ministry. In addition to the Social and Economic Council at the republican level, there are also other socio-economic councils active at the level of the territorial autonomy and local self-governments (local social and economic councils).

The methods for peaceful settlement of labour disputes have an important role in the development of social dialogue. Under the Law on Peaceful Settlement of Labour Disputes, the Republican Agency for Peaceful Settlement of Labour Disputes was established and mediators and arbiters were appointed as impartial professionals, assisting litigants to resolve their disputes by consent rather than by work stoppage/strike or through court proceedings. The proceedings conducted by the Agency may include individual disputes (relating to termination of labour contracts or payment of minimum wages) and collective labour disputes relating to the conclusion, amendments and implementation of collective agreements, exercise of the right to union organization and strike. The Law also envisages the possibility of engaging mediators in the procedure of conclusion of collective agreements, in order to help participants in collective bargaining to conclude the collective agreement. The Law on Amendments to the Law on Peaceful Settlement of Labour Disputes is planned to be adopted by the end of 2008. It will improve the settlement of collective disputes between employers and trade unions, arising from collective bargaining and strikes.

2.1.2. Macro-economic stability

The economic policies and reforms implemented by the Republic of Serbia during the 2001-2007 period of transition have provided considerable results in the economic sector, but internal and external imbalances were enhanced. High increase in GDP in that period was accompanied by inflation, occasional deficits in public finances and increased foreign trade deficit and current balance of payments deficit.

External and internal imbalances threaten the prospects for long-term growth of the economic activity and employment in Serbia. Also, a high level of the current account deficit makes the Serbian economy vulnerable to sharp decline in foreign capital inflow. The existing macro-economic imbalances have partially resulted from inadequate quality of the economic policy mix, in particular from insufficient coordination of monetary and fiscal policies, as well as from slow and insufficiently coordinated economic reforms. It is therefore necessary to speed up structural changes and to have a quality economic policies mix, in order to make the macro-economic stability sustainable.

The Republic of Serbia attained a high GDP growth in the period 2001-2007 amounting to 5.6% per annum at the average, but with increased internal and external imbalances. It is estimated that in 2007 the GDP grew by 7.5%, whereas the non-agricultural GDP grew by as much as 9.4%. The GDP growth was relatively broadly dispersed by activity, with services at the forefront. GDP *per capita* rose from 1,750 euros in 2001 to 3,970 euros in 2007 as a result of high rates of real growth of GDP and the real appreciation of the dinar. The growth of GDP is relatively widely dispersed by activities, whereby services hold the lead. Dynamic economic growth over the past seven years has primarily been based on the growth of domestic demand and exports as well as on a low starting position. As transition progresses factors on the supply side have strengthened too owing to realized privatization, investments, and increased efficiency of economy.

In the field of employment, for the first time after several decades, positive signals were registered in the labour market. The unemployment rate, measured under the ILO methodology, was reduced from 21.6% in 2006 to 18.8% in 2007. The reduced unemployment rate does not fully reflect changes in the labour market, because it partly resulted from a changed methodology.

In the 2001-2007 period of transition, the Government kept inflation under control. The fiscal and monetary policies and a stable exchange rate for the dinar against Euro played a key role in reducing the inflation. The combination of economic policy measures and implementation of economic reforms brought down the inflation rate from 40.7% in 2001 to 10.1% in 2007. The lowest possible year-to-year inflation growth was recorded in 2003 and 2006, namely 7.8% and 6.6% respectively.

The inflation level in the said period was affected by several factors. Throughout the period, there was an inflationary impact of increased domestic demand, through increase in wages and total public spending, and through increase in loans. The inflation increase was affected once and occasionally by increased price of crude oil in the global market, the growth of global inflation, correction of price disparities, fiscal expansiveness, in particular in late 2003 and in the second half of 2004, as well as in the fourth quarter of 2006, the introduction of VAT as of 1 January 2005, unfavourable weather conditions in 2005 and 2007, inadequate competition and impact of monopoly, appreciation of the dinar against Euro, especially in 2006 and 2007, high inflationary expectations.

The unfavourable tendency in the Serbian economy in 2007 was inflation increase to 10.1% relative to 6.6% in the previous year. The inflation acceleration during 2007 considerable resulted from exogenous shocks on the supply side (oil and gas price increase in the world market, drought in Serbia). However, the inflation acceleration was to some extent influenced by high increase in wages in the first three quarters of 2007, as well as by fiscal expansion in the fourth quarter of the same year.

Macroeconomic stability indicators

	2001	2002	2003	2004	2005	2006	2007
1. GDP, in current prices, in billion dinars	783.9	1,020.1	1,171.6	1,431.3	1,747.5 ¹	2,042.0 ¹	2,393.0 ¹
2. GDP, in billion euros ²	13.1	16.8	18.0	19.7	21.1 ¹	24.3 ¹	29.5 ¹
3. Peal GDP growth, in %	4.8	4.2	2.5	8.4	6.2	5.7	7.5
4. Inflation-total, end of the period, in %	40.7	14.8	7.8	13.7	17.7	6.6	10.1

Base inflation	20.5	4.4	6.1	11.0	14.5	5.9	5.4
Regulated prices	60.8	27.3	11.1	16.8	20.2	7.4	14.3
Prices of agricultural products	20.7	13.3	-6.3	8.4	36.1	6.7	23.7
5. Unemployment rate, under ILO, in % ³	-	-	-	19.5	21.8	21.6	18.8
6. Average number of employed persons, growth, in %	0.2	-1.7	-1.2	0.5	0.9	-2.1	-1.2
7. Foreign trade deficit, GDP %	-21.6	-22.3	-23.0	-29.4	-22.9	-22.1	-23.1
8. Deficit in current transactions, without foreign aid ⁴ , GDP %	-7.4	-11.0	-9.3	-13.7	-9.7	-13.8	-17.5
9. FDI, net, mil. euros ⁴	184.0	502.2	1,205.7	776.6	1,244.6	3,398.7	1,601.6
10. FDI, GDP %	1.4	3.0	6.7	3.9	5.9	14.0	5.4
11. Consolidated fiscal deficit/surplus, in %	-	-	-	-	0.8	-1.5	-1.8
12. Foreign debt, billion euros	12.4	10.8	10.9	10.4	13.1	14.9	17.8
13. Foreign debt, GDP %	94.3	64.0	60.3	52.5	62.0	61.4	59.5
14. Exchange rate of the dinar against euro, average for the period	59.78	60.68	65.05	72.57	82.92	84.16	79.98

¹ Preliminary data of the Republican Statistical Office

² Calculated based on the average annual rate dinar/euro, NBS.

³ According to the labour survey, unemployment rates have been harmonized with the ILO methodology since 2004

⁴ For conversion of Dollars into Euros, the average Dollar/Euro ratio for the respective years was used
Source: RSO, NBS

In the field of *foreign economic relations* negative tendencies were registered, which then became stronger in 2007 when Serbia generated record deficits in the foreign trade balance (21.5% of GDP) and current balance of payment (17.5% of GDP)¹. Deficit of the external sector was to a key extent propelled by strong growth of domestic demand based on the rise in public expenditure and the rise in earnings as well as on the rise in domestic and foreign loans. Appreciation of the dinar contributed to the rise in exports and, consequently, to an increased foreign trade deficit. In relation to previous years, the inflow of capital has slowed down and the share of loans in its structure increased. Resulting from the stated tendencies, the rise of foreign currency reserves is slower and the rise in external indebtedness faster compared to previous years. At the end of the same year, government public debt stood at 29.8% of GDP and the external debt at 59.5% of GDP.

¹ Owing to re-classification of the accrual of foreign currency savings from the capital into the current account of the balance of payment of Serbia the share of a current account deficit in GDP will be decreased by about 4 percentage points.

The consolidated balance of the state sector, after a surplus of 0.8% of GDP registered in 2005, in 2006 displayed a deficit of 1.5% of GDP and in 2007a deficit of 1.9% of GDP. At the end of 2007 the share of public revenues in GDP stood at 42.1% and of public expenditure at 44.0%.

In early 2008 negative tendencies of inflation development as well as in foreign economic relations continued. Headline inflation over the first four months of 2008 stood at 3.9%. Deterioration of these trends is a consequence both of continued impacting of negative exogenous factors and of strong growth of domestic demand through delayed effects of fiscal expansion at the end of 2007. What is deemed to be a positive tendency is deceleration of the rise in earnings, both overall and earnings in the public sector, which began in the fourth quarter of 2007 and continued into the first four months of 2008. Average disbursed net earnings during the period January-April 2008 were up in real terms by 5.5% in relation to the same period 2007.

The Kosovo crisis and political uncertainty in Serbia affected deceleration of the inflow of new foreign direct investment. A fall in the inflow of foreign capital paired with an increased deficit in the current balance had an impact in the form of depreciation of the dinar, diminished turnover on the foreign exchange market, and reduced foreign exchange reserves of the NBS. In addition, due to the stated factors the fall of stock market indexes in Serbia during the first months of 2008 was sharper than in adjacent countries.

In the course of 2007 and 2008 implementation of structural reforms continued on the basis of a regulatory framework created over the past several years (privatization, etc.). However, due to long-lasting breaks in the work of the National Assembly, over the past year and a half adoption of new reform acts has slackened. Besides, long breaks in the work of the Assembly rendered ratification of numerous contracts on loans from abroad, approved for the construction and modernization of transport infrastructure, impossible.

In the Republic of Serbia there is general consensus that macroeconomic stability, which involves internal and external stability, is of key importance for the establishment and functioning of market economy and that it presents a prerequisite for sustainable economic growth since it creates predictable environment for economic subjects. Therefore *during the period by 2012* special attention will be paid to the establishment and maintenance of macroeconomic stability which involves adequate price stability, sustainability of public finances, and viability of the balance of payments.

Guidelines for the pursuit of economic policy and structural reforms in the forthcoming mid-term period are defined by means of the Memorandum on Budget and Economic and Fiscal Policy for 2009, with Projections for 2010 and 2011, adopted by the Government at the session held on May 15 2008. This Government's document envisages dynamic economic growth of about 7% on average annually during the period 2009-2011, coupled with diminishment of macroeconomic discrepancies.

Through macroeconomic projections it is envisaged that inflation will be reduced to the level that in 2012 will approximate to the inflation level of EU countries. What is also envisaged is substantial reduction of the current account deficit in 2012 as well as reduction of the unemployment rate. In addition, it is envisaged that the fiscal deficit will be substantially lowered to 0.4% of GDP in 2009, which after 2010 will turn into the fiscal surplus and in the next two years stand at about 1% of GDP.

Projections of major macroeconomic indicators

		2008	2009	2010	2011	2012
1	Real GDP growth, in %	6.0	6.5	6.5	7.5	7.0
2	GDP, <i>per capita</i> , in euros	4,532	5,110	5,686	6,322	7,080
3	Inflation, end year, in %	8.0	6.0	5.0	4.0	4.0
4	Unemployment rate (ILO), in %	18.6	17.8	16.9	15.7	14.5
5	Current account deficit, % GDP	-17.1	-15.8	-14.5	-12.7	-11.5
6	Fiscal deficit, % GDP	-1.7	-0.4	1.0	1.1	1.1

Source: Ministry of Finance

Key means of attaining the planned economic policy objectives are the establishment and maintenance of macroeconomic stability, acceleration of structural reforms, and a continued stabilization and association process. For the establishment and maintenance of macroeconomic stability, which involves low inflation, sustainability of public finances, and a viable current account deficit in the period by 2012, the following is of special importance: economic reforms focused on development of market economy in Serbia as well as efficient macroeconomic policy.

Short-term priorities:

In order to establish and maintain macroeconomic stability in a short period of time it has been planned to implement a mix of measures of the fiscal policy, wage policy, and monetary and foreign exchange policy which will ensure reduction of overall domestic demand (through deceleration of the growth of earnings, reduction of public expenditure, and deceleration of credit activity of banks).

- The Government will operate vigorous fiscal policy aimed at fiscal adjustment through the lowering of public expenditure and the fiscal deficit, with the aim of contributing to achievement of a low inflation rate and external sustainability. The fiscal policy programmed for the next three years envisages a decrease in the share of public expenditure in GDP of about three percentage points relative to 2008.
- The Government will pursue firm wage policy that provides for harmonization of the rise in earnings in the public sector with the growth of productivity. The programmed fiscal policy envisages slower growth of earnings in the public sector in the next three years compared to the growth of GDP.
- The NBS will implement the monetary policy aimed at maintaining the price stability, with the view of lowering inflation. Deceleration of growth and changed structure of aggregate demand requires adequate actions of the monetary and foreign exchange policy, in particular a slower rise of loans and maintenance of stability of the nominal exchange rate of the dinar against the euro.
- The maintenance of low and stable inflation will significantly be contributed to by the price policy that will be implemented through the regime of free price quoting. For this purpose by 2012 the range of controlled prices will be diminished and competences with regard to authorization of prices in infrastructural activities will entirely be transferred to regulatory bodies.

Mid-term priorities:

Key economic reforms that will contribute to further reinforcement of macroeconomic stability during the period by 2012 are:

- Completion of privatization of social companies and state-owned banks.
- Continued strengthening of financial control and acceleration of reorganization and privatization of the insurance sector so that stability of the financial sector could be ensured.

- Improvement of the bankruptcy procedure in order to speed up withdrawal of insolvent enterprises from the market and foster structural changes.
- Continued liberalization of infrastructure-related activities and acceleration of the processes of restructuring and privatization (minority and majority) of public and utility companies.
- Continued reforms of the labour market and continued promotion and stimulation of employment.
- Continued liberalization of remaining regulated prices with the view of promoting efficiency of market mechanisms and resource distribution.
- Continued reforming of the system of public expenditure management and tax reforms.
- Continued reforming of the pension system and the health insurance system.
- Development of a stable and functional market of land/real estate.
- Continued formalization of black economy.

2.1.3. Prices and trade liberalization

Prices

The Government policy in the field of prices stems from the Law on Prices, which was adopted in September 2005. The main orientation of this policy is free formation of prices of products and services in accordance with market conditions (PEP), except for products and services for which a special regulation establishes a different price formation manner. In the previous period, the government had conducted a series of activities relating to price liberalization, with the view to providing conditions for the functioning of a modern market of goods and services, which is in line with the Plan for Implementation of Priorities for the European Partnership.

Under the Law on Energy, the prices of energy sources and services provided by energy entities include freely formed prices (oil derivatives) and regulated prices (electricity, natural gas and crude oil transport through oil pipelines and of derivatives through product-lines). For regulated prices of public enterprises, whose founder is the Government, the approval is given by the Government, in line with the Law on Public Companies and Performance of Activities of Common Interest, after consultations with the Agency for Energy of the Republic of Serbia.

The Law on Energy envisages free formation of prices of oil derivatives, but the Government, pursuant to the Law on the Conditions for Trade in Goods, Provision of Services in Trade in Goods and Inspection, establishes the price formation criteria, as well as prices of basic oil derivatives. The Energy Development Strategy of the Republic of Serbia to 2015 for the period 2007 to 2012 envisages a gradual deregulation of prices of oil derivatives and liberalization of imports, as well as the criteria for establishing the oil processing prices and terrified prices for the use of pipeline, which is within the competence of the Regulatory Agency.

The Law on Agency prescribes the competence of the Agency for Energy, of the Republic of Serbia, in regulation of prices of electricity, natural gas and oil transport through oil pipelines and oil derivatives through product-lines. This implies the establishment of new methodologies for establishing tariff elements and the adoption of tariff systems, to which the Government grants its approval, that are related to calculation of prices of electricity and natural gas for tariff buyers and price of access and use of the system for transmission, namely transport and distribution of electricity and natural gas, as well as the price of transport of oil through oil pipelines and derivatives through product-lines.

The Law envisages that the act of public postal operator, establishing the fees for reserved postal services, is approved by the Government. These services concern letter bearing consignments to the established limit and postal orders. Until the limit is established by the Republican Agency for Postal Services, with the Government's approval, reserved postal services in the part of letter-bearing consignments are considered to include those with mass of 350 grams, and the price amounts to five times amount of the postal fee for the letter of the first rate of weight and the fastest transport level. Other postal services are a commercial service, where the public postal operator and other postal operators compete in the postal services market and prices are freely formed.

The Law on Railways prescribes that management of railroad infrastructure and public transport of goods and services are activities of common interest, but the management of infrastructure is performed by a public enterprise and transportation by a public enterprise or another enterprise. Track access will be charged by a fee established by the manager, based on the methodology for evaluating the elements, prescribed by the Government. The Government or local self-government may establish for a haulier on certain locations a public transport obligation, but is obliged to compensate the difference between the established prices and the justified full cost price. The Government prescribes the methodology for establishing it. The Government gives its approval for costs of railway transport of goods and passengers.

The Law on Roads prescribes that activities of maintenance and management of arterial and regional highways, as goods in common use, are carried out by enterprises founded by the State. The amount of tolls and other fees for the use and utilization of public roads is established by public enterprises, with the Government's approval. Although there is an obligation to equalize the road tolls, tolls to be paid by foreign vehicles continue to be higher.

The Law on Public Skiing Grounds prescribes that public skiing grounds are owned by the Republic and are managed by the public enterprise as goods that are used and development in the common interest and thus ski pass tickets, established by the public enterprise, are also approved by the Government.

Under the Law on Telecommunications, the establishment of conditions for introducing a special tariff regime and criteria for establishing the tariffs are within the competence of the Republican Telecommunications Agency. In 2006, RATEL gave its approval to Telecommunications Enterprise "Telecom Serbia" a.d. (shareholding company), as operator for public fixed telephony network with considerable market share, for revision or tariffs and increase of subscription for telephone connections. Thus, administrative price regulation in fixed telephony was replaced by price formation by an independent regulatory body, whereas mobile telephony prices are freely formed.

A short term priority of economic policy in the part of regulated prices is for the Government to establish the level of railway and postal services with the view to gradually attaining the level that includes economically justified costs and to the extent that ensures compatibility with allocation efficiency and developmental investment inputs.

To protect the interests in local public enterprises, the local self-governance, based on local regulations, gives its approval to prices of products and services of public enterprises which it founded, taking into consideration the permissible framework for forming these prices and the mechanism for verifying the implementation of policy of projected price increases in these enterprises, established by the Government. The local public enterprises predominantly provide utility services relating to water supply, waste water discharge, garbage removal, distance heating and intercity passenger transport.

Prices of medicaments/drugs for human consumption are controlled with the view to proving accessibility of drugs to all citizens in required quantities and range and a rational use of limited finances intended for prescription drugs which are charged to compulsory medical insurance funds. Based on the Law on Medicaments/Drugs and Medical Devices, the Government takes the decision

establishing the criteria for forming the prices of medicaments and drugs, based on the joint proposal of the line ministers of commerce and health care. The Regulation on the Criteria for forming the prices of medicaments/drugs and the Decision on prices of medicaments/drugs for human use are published in the „Official Gazette of the Republic of Serbia“. The method of establishing prices of medicaments/drugs is impartial because prices are formed on the basis of objective criteria and in a transparent manner and local and imported drugs are treated equally.

In the forthcoming period the control of prices of medicaments/drugs for human consumption will be continued, but more liberal criteria will be established for formation of prices of over-the-counter drugs, and the policy of phasing out disparities of prices of domestic drugs versus prices of imported drugs will also be continued.

Trade liberalization

In the period 2000-2005, the Republic of Serbia implemented trade liberalization to all its trade partners, and subsequently liberalized trade even further, through implementation of bilateral trade agreements.

The initial wave of trade liberalization in the Republic of Serbia took place in 2001 with the reduction of the customs duty protection rate from the average 14.5% to 8.7% (customs duty rates range between 1 – 30%). The new wave of liberalization has been achieved through the “Action Plan for Harmonization of Economic Systems of Serbia and Montenegro” (mid 2003), after which the average customs duty rate amounted to 7.4%. The Law on Amendments to the Law on Customs Duty Tariffs (introducing harmonization with the national customs duty tariff and combined EU nomenclature in 2008 and HS 2007) was enacted in June 2007 where the average customs duty rate (industry and agriculture combined) amounted to 8.63%.

Liberalization of foreign trade continued with bilateral trade agreements with the Russian Federation and countries in the South East Europe. Within the SEE Stability Pact, on 19 December 2006 in Bucharest the Central European Trade Agreement (CEFTA 2006) was signed. The Agreement replaced the network of 32 bilateral agreements in all that had been previously applied in the region of South East Europe. CEFTA for Serbia came into force on 24 October 2007.

With signing to the CEFTA, the prerequisites for more uniform development of the region have been put in place, together with harmonization of the structural reform policies, investment and development, improvement of infrastructure, economic competitiveness, development of a more favorable image and easier approach to EU as well as participation in the global trade. The effective implementation of the Agreement is substantiated by the fact that the total commodity exchange of the Republic of Serbia with the region has a continuously rising trend, so that in 2007, the shares of exchange with CEFTA in the total export and import amounted to 32.3 and 8.2%, respectively. In the course of the same year, almost identical rises of export and import were recorded (46%). The region is more important for Serbia as a market for placement of domestic goods; having that almost four times less goods are imported, Serbia has a surplus in this exchange. After EU, CEFTA members are the second most important foreign trade partner of Serbia.

The Agreement on Trade in Textile Products between the Republic of Serbia and European Union („Official Gazette RS“, vol. 45/2005) came into force on 1 July 2005. This Agreement has multifaceted importance and it is of utmost economic value since free trade in textile products was established with implementation thereof. The Agreement highlights that it is a part of the broader process of stabilization and association with the EU. The Agreement nullifies all restrictions in trade in

textile products with twenty-five EU countries where textile products made in Serbia were granted the duty-free treatment. Also, the concept of diagonal accumulation of the products origin has also been introduced (clothing made from integrated material and accessories supplied from any EU country shall have duty-free treatment when exported to the EU). On the other hand, the Agreement also specifies step-wise reduction of customs duty rates when textile products originating from the EU are imported to Serbia. From 1 January 2008, pursuant to the schedule presented in the Table (Appendix II of the Agreement), textile products originating from the EU shall have duty-free treatment on the Serbian market.

The Republic of Serbia signed the Stabilization and Association Agreement with the EU. Further trade liberalization shall be effectuated by the implementation of the Interim Agreement that will come into force on 1 July 2008. Full opening of our market for products originating from the EU will be enforced gradually over the five years following the Interim Agreement. Upon expiry of the transitional period, trade in industrial goods between the EU and Serbia will be completely free. The current average customs duty rate in the area of industry (textiles excluded) is 5.13%.

The Republic of Serbia awaits yet another wave of liberalization which will follow as a result of negotiations on the membership in the World Trade Organization. In bilateral negotiations with WTO member states, the Republic of Serbia will take over obligations relating to liberalization of the market of industrial and agricultural products as well as the market of services.

Relating to industrial products, it is expected that upon completion of the negotiations the average consolidated MFN customs duty rate will be at or somewhat below the applied average rate (7-7.5%). This is a consequence of the need to accept the so-called sectoral initiatives (reducing the customs duty to 0%) in liberalization of chemical products, pharmaceutical products, medical equipment, IT products and products for civil aviation. Serbia has agreed to liberalize customs protection for products in these industrial sectors, i.e. harmonize customs duty at the level of 5.5% and 6.5% for chemical products.

In the area of agriculture, certain liberalization in the context to accession to WTO is close to the level of the applied customs duty rates. In respect to sectoral initiatives in the area of agriculture, Serbia has agreed to full liberalization for beer after expiry of the transition period.

2.1.4. Ability of the financial sector to streamline savings towards productive investments

In the year 2007 financial sector consisted of 35 banks, 20 insurance companies, 17 financial leaser and 7 voluntary pension funds legally entrusted to the supervision of the National Bank of Serbia¹.

Financial sector has got a great importance for development and stability of every country's economy. In accordance with that, it is important to gauge its contribution to the growth of GDP. In 2000 and 2001 it was negative – 0.4 percentage points, in 2003, 2004 and 2005 0.4, 0.5 and 0.9 percentage points respectively, and in 2006 and 2007² it was 1 and 1.3 percentage points respectively. From the above stated it can be inferred that financial sector is getting all the more important place in

¹ Supervision over investment funds was entrusted to the Securities Commission.

² In 2007 actual GDP growth was 7.5 %.

development of the country's overall economy. Participation of financial sector in 2006's GDP was 4.1%.

Though bankcentric, Serbia's financial system shows potential for growth of other financial sectors, both in absolute figures and in relative, compared to banks. Namely, in total financial sector insurance by capital and number of employees is in the second place, then come leasing and voluntary pension funds. In balance sum of 2007 financial sector, which was 1,728 billion dinars banks have a share of 90.4%, leasing 5.5%, and insurance companies are third, with slightly decreased share of 4.1%, as consequences of higher growth of banks' assets.

As one of the basic limiting factors for development of financial system in Serbia there is a low level of capital market development. Shallow capital market in Serbia reduces the importance of alternative, non-banking sources of finance, which has a negative impact on competition in financial sector and on economic growth.

Banking

Since 2001, financial sector reform has been implemented in Serbia, launched in the part of banking sector as the most important and then the prevalent one. High level of bad debts and low level of interest-bearing assets, which directly influenced low profitability, insufficient reserves to cover potential losses, capital decrease and incapacity to absorb the risks taken, actual insolvency of the biggest banks and high illiquidity, liabilities to the Paris and London trustee clubs and the problem of citizens' mistrust in the banking system due to the impossibility to dispose with their savings – all these were the problems in the beginning of the reform.

Since then to date,

- The number of banks has been more than halved (from 86 in the beginning of the reform to 34 in 2008),
- Ownership transformation of the banking sector took place, from dominantly social and state-owned, to the significant number of foreign investment obtained through take-over of private banks or privatization of the state-owned by the first-class foreign investors, so 80% of the sector is under majority ownership of well-ranked strategic owners from the EU countries,
- This has heavily contributed to growth and development of this sector, both from the aspect of the staff number and expansion of organization network, and vis-à-vis the scope of credit and deposit activity, type, size and quality of banking services and products.
- The trust in banks has been regained, and so have savings, as the basic and most stable form on the source side, but also on the credit side the population has grown from an almost negligent into one of the most attractive sectors with more than a third placed assets,
- Unlike the previous periods, this is the third consecutive year of the banks' profitability on the sectoral level.

	2004	2005	2006	2007
Net interest margin	7.17%	7.66%	7.46%	6.54%

ROE	-5.37%	6.46%	9.67%	8.54%
ROA	-1.14%	1.13%	1.70%	1.70%

- Serbia's banking sector is characterized by good performances. Credit expansion has been followed by strong capital increase in the sector, but also by strengthening of its deposit base, and the banking sector has got a stable, primarily domestic sources of funds. Good capital increase and its conspicuous liquidity have contributed to the sector's resistance to risks. Stress tests applied during the year show that the system in terms of solvency is resistant to most extreme shocks caused by forex, interest or liquidity risks.

In mill. EUR

	2003	2004	2005	2006	2007
The number of banks	47	43	40	37	35
The number of employees	22,319	23,463	25,680	28,092	30,246
Total assets	5,379.5	6,466.3	9,069.2	14,800.8	19,735.3
Foreign banks	1,228.9	2,434.6	5,986.9	11,641.7	14,908.6
State banks	2,514.6	2,336.4	2,168.3	2,199.5	3,104.6
Private banks	1,636.0	1,695.3	914.0	959.6	1,722.1
Total assets/GDP	31.4	35.6	44.4	57.3	67.0
Capital	1263.3	1260.7	1469.7	2737.8	4145.8
Foreign banks	181.3	248.5	728.7	1,865.1	2,934.7
State-owned banks	572.6	504.2	375.3	474.1	609.8
Private banks	509.4	508.0	365.7	398.6	601.3
Capital/GDP	7.4	6.9	7.2	10.6	14.1
Total deposits	3,267.7	3,971.1	5,668.8	8,434.1	12,117.7
Savings	1,215.4	1,563.1	2,413.4	3,634.7	5,281.8
Total deposits/GDP	19.1	21.9	27.7	32.6	41.1
Total credits	2,716.7	3,598.1	5,082.2	6,904.8	9,603.0
Companies	2,055.5	2,497.6	3,296.6	4,088.3	5,520.0
Population	416.3	814.9	1,457.9	2,479.4	3,818.2
Total credits/GDP	15.8	19.8	24.9	26.7	32.6
Capital adequacy	31.1	27.9	26.0	24.7	27.9

- Although the trend of significant increase of financial sector's share in GDP is primarily the result of the catch-up process and low base, that indicates the potential of further development of total financial system. For comparison's sake, on the level of 25 countries the EU indicator of financial system assets' share in GDP is more than five times bigger than in Serbia. In underdeveloped capital market conditions, it is realistic to expect that in the following period precisely financial institutions

under the National Bank's supervision, particularly banks, will mainly contribute to the growth of financial and overall economic market.

- Basic mid-term risks against the banking sector are in treble concentration of credit expansion. That concentration is in a strong growth of credits for citizens, mainly long-term and pegged to foreign currency with variable interest rates. With change in structure of bank portfolios, that expansion exposes citizens to significant forex and interest risk, whereas banks are exposed to indirect credit risks. Although asset quality indicators are satisfactory, credit portfolio quality analysis in credit expansion should be approached cautiously.

Simultaneously with unfavourable economic characteristics of the banking sector, there were no or there were inadequate systems of internal control and audit in banks, with inadequate way of risk management and low level of external auditors; professionalism. That has imposed the need to change the regulatory framework for banks' business operations. The National Bank of Serbia adopted a new Law on Banks which came into force in December 2005, and its implementation started on 1st October 2006. The new Law on Banks is a starting point for implementation of Basel II principles– it defines a contemporary and efficient way of bank management, necessary systems and procedures for identification, for measuring, valuation and monitoring bank risks, transparency of bank operations, introduction of consolidated supervision, defines the relations of banks and the National Bank of Serbia with external auditors and other important aspects of banking.

At the same time, the supervision process is being harmonized with good practice recommendations of relevant international professional organizations. A consistent and transparent licencing and de-licencing policy for participants in financial market has been established. The supervision that NBS is doing over financial system is directed to risk assessment and follows trends in development of supervisory practice.

The standards promoted by the Basel Committee for banking supervision are implemented in terms of supervisory process and regulations under the NBS competences. The Central Bank is member of many international supervisor associations and a signatory party to several memoranda of understanding that will contribute to more efficient implementation of its competences in conditions of significant regional ownership and other connectivity among market actors.

In 2007 NBS successfully achieved its goal maintaining stability of financial sector (PEP). The banking sector, one of those that NBS supervises by law, had a growth last year. Good liquidity and adequate capitalization of banks provided support to the banking sector growth, so in late 2007 banks managed assets worth 65% GDP. Furthermore, this sector achieved a positive financial result – a 23.3 bn dinars profit.

NBS focused its efforts in 2007 on timely identification and risk assessment and preventive prudent action to slow down the evident credit expansion and to adjust the central bank's instruments to modern risk-based supervisory standards.

Also, the trend of intensifying connectivity among different forms of financial mediation is visible in Serbia, which, globally, means another regulatory challenge that NBS will respond to with growing intensity, applying a consolidated supervision over financial system. Besides, in the forthcoming period the National Bank will even more intensively insist on further improvement of quality and transparency in service rendering, which is one of the basic pre-requisites for protection of end users of financial products in the conditions of financial business expansions.

The banking sector in Serbia

1. In late February 2008 34 banks were operating. The balance sum of the banking sector is 1,604.8 bn dinars. 20 banks with 74.3% balance sum of the banking sector are owned by foreign legal or

physical entities, with 71.6% of all credits and placements and 72% of all deposits, which is less than end of 2007 and end of 2006, primarily because of the growth in private and state banks' market share.

2. The banking sector in the first two months of 2008 had a pre-tax profit of 11.855 million dinars. Due to the dinar depreciation exchange losses were 74% of total, which is still less than in January, when they exceeded 80%. For 2007 the banking sector had a 23.268 million profit.
3. The total deposit potential of the banking sector in end February 2008 was 964.5 billion dinars. Forex deposits were reduced by 12 bn dinars and, sector-wise, the biggest reduction was that of other companies, also by 12 bn dinars. During 2007, the banking sector deposit potential increased by 44.1%, other companies' deposits by 63.5%, and citizens' by 45.5%. Short-term deposits increased their share in total from 46.8% to 53.3%.
4. Foreign indebtedness of the banking sector (with foreign banks and foreign legal or physical entities) in late February 2008 was 123.8 billion dinars, which is a decrease compared to January by 5.3 bn dinars. During 2007, the banks' foreign credit liabilities were reduced by 52.5 bn dinars, i.e. from 15.9% to 8.6% of total liabilities.
5. Total credit activity of the banking sector in end February 2008 was reduced compared to the previous month to 923.9 bn dinars, mostly due to reduction of credits and placements by 22.8 bn dinars, which is 2.5%. During 2007, total credits of banking sectors were increased by 48.5%, credits to other companies by 36.5%, to citizens by 54.4% and to foreign banks by 199.5%, and the highest growth was that of Komercijalna banka A.D. Beograd (40.3%).
6. In February 2008 total placements to the citizens were 327.272 million dinars, which means increase compared to January, by 6.774 million dinars (net value). Negative balance on current accounts was reduced by 3.4% and cash credits by 0.8%, while other categories of citizens' credits were increased, most of which credits for operating other business by 6.5% and housing credits by 5.2%. During 2007, citizens' crediting was long-term oriented, mainly for entrepreneurs and with forex clauses in Swiss francs (CHF), as well as toward slower growth of cash and faster growth of housing credits.
7. The forex risk indicator on 31st December 2007 on the banking sector level was 14.8%.
8. Profitability indicators on 31st December 2007 on the banking sector level were: ROE 8.54%, ROA 1.70%, NIM 6.54% .
9. The National Bank of Serbia started implementing stress tests which, on a quarterly basis, examine the influence of various assumptions (shocks) to capital adequacy and liquidity of the bank sector and other individual institutions. Quarterly testing showed, with high level of reliability, that after these shocks' application the banking sector would always keep the set liquidity, and that the capital adequacy indicator would not drop below border value set forth by regulations.
10. Supervisory activity of the National Bank of Serbia was particularly oriented toward monitoring banks' credit activity from the aspect of term, currency and sectoral structure and by most active banks and their clients. Its measures influenced this activity to slow down. In part of the obligation for banks to align the size of gross placement to citizens with their equity, the stipulated ratio of 200% was reduced to 150% whereby banks are left with the choice to reduce citizen placements or to make a capital increase, which is what most banks have done. It is also prohibited to extend cash credits with maturity longer than 24 months. With the latest measures, placement base liable to this alignment was expanded.

Insurance

The insurance sector in Serbia is underdeveloped and, by development degree, it is considerably lower than the EU average. To corroborate this, there are insurance market development indices – the ratio between total premium and GDP and total premium per capita.

Namely, by 1.8% premium share in GDP for 2006 (and in 2004 1.6%), Serbia is in the 64th place in the world, whereas this index for 27 EU member states is 9%. However, in comparison to Serbia's group, with the average of 2.7%, it can be concluded that it is a satisfactory position. By premium per share in 2006 being \$86 or 65 euros (in 2004 \$52 or 38 euros) Serbia is only world's 62nd, and the same index for the EU member states is \$2.667, while in Serbia's group it is \$60.

The insurance market development in Serbia measured by premium growth shows a positive trend. In 2007 insurance companies had a total premium of 44,780 million dinars (565 million euros or \$833), which is 16.8% growth compared to the previous year, when it was 38,329 million dinars (485 million euros or \$639 million). In 2007 premium structure the non-life insurance share was 89%, whereas the life insurance share increased from 7.4% in 2004 to 11% in 2007, thanks to high growth compared to the previous year – 22% (with the non-life insurance growth of 16.2%).

Car insurance (from responsibility for car accidents) which took over the leading share of property insurance in 2006 kept it in 2007, with 32.1%, while property insurance keep decreasing their share in 2007 to 26.5%. After property insurance by share there is motor vehicle insurance – casco, the insurance type with the biggest share increase, from 12.8% in 2006 to 14.7% in 2007, with premium growth of even 34% compared to 2006.

The number of insurance companies increased from 17 in 2006 to 20 in 2007, and 7 of them dealt solely with insurance, 2 with re-insurance and 1 with both insurance and re-insurance. Of the companies dealing with insurance, 4 companies dealt solely with life insurance, 8 solely with non-life insurance and 6 with both. In early 2008 another licence was issued for the work of a foreign majority ownership insurance company, for dealing with non-life insurance. By capital ownership structure, of 20 insurance companies in 2007 13³ are in foreign majority ownership (five of them are greenfield investments in 2006 and 2007), 7 companies are locally-owned, one of them being socially owned and 6 privately owned. Capital share of foreign-owned insurance companies in total capital of all insurance companies is 50%, while that of the only socially owned insurance company is 29.5%.

More significant reforms in insurance sectors were undertaken in 2004, with adoption of the Law on Insurance. The Law on Insurance defines the conditions and ways of dealing with insurance affairs and supervision of those affairs, in accordance with standards and principles of the International Association of Insurance Supervisors (IAIS) and the EU directives on insurance services. This Law entrusted insurance supervision to the National Bank of Serbia.

The Law on Insurance provisions are partly harmonized with the *acquis communautaire*, and further harmonization is necessary for opening the insurance market and conformity of certain arrangements in life and non-life insurance, re-insurance and additional supervision of insurance company group.

The legal actions to provide faster development and harmonization with the EU legal framework will be possible with amendments to the Law on Insurance, planned for late 2008. In this period, a new by-law of the National Bank is planned to be adopted, to regulate the implementation of consolidated supervision and amendments to the decision on “*fit & proper*” criteria.

Also, within these actions, adequate by-law regulations will be passed, which will provide implementation of already adopted legal arrangements pertaining to the operations of foreign insurers' branches, the possibility of direct re-insurance abroad and leaving out the so-far applied principle of reciprocity vis-à-vis foreign entities' operations in insurance. Besides, as an important legal measure for harmonization with the *acquis* in obligatory transport insurance, and for harmonization with the national regulations, the Law on Obligatory Transport Insurance will be adopted.

³ DDOR included.

The future development of insurance sector is expected in life insurance, given that there are good grounds for its development in Serbia, and those are: growth trend of life insurance premium share in GDP from 0.1% in 2004 to 0.2% in 2007 (the 2006 share of Serbia's group was 1.4%, Croatia's 0.9% and Slovenia's 1.8%); 7.4 million inhabitants; 2 million employed; average salary growth from 194 euros in 2004 to 347 euros in 2007; evident growth of citizens' bank savings; strengthening the citizens' confidence of insurance companies' work, new sales channels - *bankinsurance*; new life insurance products, etc.

It is necessary to underline that the velocity of life insurance development greatly depends on settling certain system issues such as: taxation of life insurance, regulation of voluntary pension insurance, and the lack of financial instruments for insurance companies to invest in.

Voluntary pension funds

The existing demographic structure has created the need to organize voluntary pension funds. Due to the unfavourable ratio between active insured persons and pension beneficiaries, the government subsidizes the promised pension contributions (first pillar) from the budget. Pension expenses in our country participate with about 15% in GDP and they are among the highest in the region.

The Law on Voluntary Pension Plans (RS Official Gazette 85/2005), adopted in 2005, introduced the system of voluntary pension funds, so Serbia's pension system today comprises the First and the Third Pillar of pension insurance. The first pillar is made of the state Fund for Pensions and Disabled Persons, obligatory for all employees and working on *pay-as-you-go* principle. The third pillar is made of voluntary private pension funds working on the principle of accumulation and funds capitalization and defined contribution. It is expected that capitalized pension funds will increase the general level of national saving, contribute to development and stabilization of financial market, incite economic development by providing investment funds, ease the pressure on public budget caused by ageing of the population and the investment revenues will reduce the total cost of pensions.

Between September 2006 and June 2007 seven companies for managing voluntary pension funds were established, and that number remained in May 2008. One managing company is state-owned, and six are in foreign private ownership (out of which three companies are in direct majority ownership of foreign companies). Total number of contracts in voluntary pension fund system in the end of 2008 first quarter was 181.500 billion dinars, while net assets of all the funds is somewhat below 3.2 bn dinars (about 40m EUR), which makes about 0.12% GDP share. Bearing in mind that the regional average of this index is 5.4%⁴, and in the EU countries it is about 17%, the conclusion inferred is that Serbia's market is still very shallow and this sector's development potential is very high. In assets structure of voluntary pension funds the majority are debit securities (38.6%), then transaction accounts with 34.6%, shares with 22.4% and time deposits with 4.1%.

Supervision over managing companies is the competence of the National Bank of Serbia. Regarding investment of the funds' assets, the National Bank's by-laws define specific criteria of investing in the country and abroad. Every managing company is obliged to have at least one portfolio manager employed, licenced by the Security Commission, who analyzes investment possibilities on a daily basis and, observing the given legislative framework and the society's investment policy, invest the fund's assets in order to bring yields to the fund members.

Also, the regulations set forth minimal standards for transparency of voluntary pension funds' operations. In those terms the managing companies are obliged to publish the value of investment units (on a daily basis), the fund's yields (on a quarterly basis), and to submit annual reports to all members,

⁴ The average calculated based on data from Slovenia, Croatia, Hungary and Bulgaria

on the fund assets' value, on balances of their individual accounts, i.e. paid contributions and collected fees.

From the aspect of harmonizing national regulations with the *Acquis*, in the area of voluntary pension funds the relevant ones are the European Parliament and Council Directive 2003/41/EC from 3rd June 2003, on operations and supervision of institutions for voluntary pension insurance. The Law on Voluntary Pension Funds and Pension Plans is partly harmonized with Directive 2003/41/EC. Aiming at full harmonization with the Directive, it is necessary to amend the Law's provisions stipulating investment limitations and to provide investment of funds' assets in accordance with the Directive's provisions requiring creation conditions for voluntary pension funds to render services and for banks seated in other countries, EU member states, to render custody services.

One of the biggest obstacles to development of voluntary pension fund system is the fact that Serbia's financial market is underdeveloped – with a narrow range of good-quality securities, which seriously influences the possibility of investment dispersion and increases sensibility of fund assets' value to price variations in the market. The consequence of this is not only reduction of possibility to manage portfolio and to increase value through yields, but also an insufficient impetus for further development of this institute. In order to encourage development of the “third pillar” in the conditions of great demographic changes, it is necessary to raise the standard of living and to provide a broader range of good-quality securities and long-term macroeconomic stability at the same time.

Financial market

The adoption of a set of laws in the domain of financial market regulation (Securities and Other Financial Instrument Market Law, Joint-Stock Company Takeover Law and Investment Fund Law) has established an adequate normative framework which shall in the following period contribute to solving of some basic problems such as the regulation of initial public offerings, public companies treatment, takeover, protection of minority shareholders.

In this respect, the financial market in Serbia marked a substantial growth of turnover in 2006 and 2007. Namely, in 2007 the total market capitalization of enterprises which were traded in the stock market rose to app. 45% of GDP, whilst in 2006 this share amounted to only 23% of GDP.

In the stock market and non-stock market of securities, the aggregate turnover value realized in 2007 amounted to RSD 4,091.1, which was three times as large as the value (200.8%) realized in 2006.

In spite of that, a low market capitalization as against the GDP still continues to be the basic characteristic of Serbian financial market. At the same time, the market material structure has been reduced in such a way that shares participate in the aggregate turnover value with 3.9% and debt securities with 96.1%, whilst in 2006 shares participated in the aggregate turnover value with 12% and debt securities with 88%. As well, the important characteristic of Serbian financial market is orientation towards takeover of the privatized public companies. The absence of initial public offerings in the process of establishment of joint stock companies indicates the indifference of the scarce potential issuers i.e. a dysfunctional market. In the Belgrade Stock Exchange, as a single stock market in Serbia, there is no admission of the large corporations or foreign banks' stocks to the stock market, by reason of the avoidance of complex corporative procedures and other legal obligations.

Apart from that, underdevelopment of market material is perceptible i.e. the absence of corporate, municipal and mortgage bonds and securities emitted by funds as well as the scarcity of other State debt securities.

In view of this, it could be concluded that the market is still shallow and insufficiently developed, and characterized by a low efficiency, information asymmetry, insufficient protection of investors and minority shareholders, systematic risk, lack of liquidity, and consequently - high trading costs.

Further improvement of the legislative framework regulating the capital market field, drafting of a new law, or amendments to the existing law until the end of 2009, that will to the largest possible extent be harmonized with the EU regulations, will provide for increased volume of trade and liquidity of securities traded at the stock exchange.

In order to improve the protection of investors, the obligation will be prescribed of providing reliable information on enterprises and banks whose shares are traded at the stock exchange and of sanctioning impermissible manipulation of prices at the stock exchange and insider information.

Particular attention will be paid to strengthening the basic functions of the financial market and to financing the real sector of the economy. Stabilization and increased financial market liquidity, with comprehensive legislative and regulatory reform, will contribute to reducing the risk of investing in the real sector of the economy. Simultaneously with risk reduction new sources of demand in the financial market will be activated, which will contribute to the development of financial market and its increased liquidity. Institutional investors will particularly contribute to it.

In the forthcoming period, in cooperation with relevant institutions, activities will be undertaken towards forming new financial instruments that are traded in developed markets, in order to expand and enrich the existing supply of securities in the domestic financial market. Opportunities would thus be expanded for investments of domestic and foreign investors in the domestic financial market and the expanded range of securities supply would reduce the potential investment risk, which would contribute to further development of the financial market at large. Particular attention will be paid to reviewing the tax treatment of trade in securities (tax on transfer of absolute rights, tax on capital gain), improvement of protection of small shareholders and reduction of costs of trade in securities.

The capital market will have a key role in the continuation of the process of privatization and attracting investors in all fields. Trading in shares of major and most successful domestic enterprises in the official stock exchange listing will be institutionalized. The capital market will become the main source of the state's borrowing for the purposes of over-bridging a possible budgetary deficit and will be the backbone of the forthcoming reform of the pension system.

The financial market development will evolve towards the improvement of stock exchange operations, with the view to forming a balancing capital cost on one spot, with participation of a large number of buyers and sellers. Encouraging conditions will be created for citizens and institutional investors to be more considerably involved in securities trading. The higher value state securities will have an important role in this process, considering the high level of security for investors. Conditions will be created for developing the secondary securities market, which will contribute to the liquidity of the financial market and to the increase in the scope of activities in that market.

For the purpose of deepening the capital market in Serbia and improving the quality of tradable securities, it is necessary for big infrastructure companies to enter the stock market (Telecom Srbija, NIS, EPS etc.). The entry of these enterprises in the organized market would create quality market material, both for institutional investors' input and for the broadest possible strata of Serbian citizens. From the viewpoint of enterprises, entry in the organized market would allow market assessment of their capital and would open up a new channel for the provision of additional funds.

Further strengthening and enhancement of the monitoring function in the financial market is of particular importance for the development of the financial market. To that effect, competencies and status of the Securities Commission will be somewhat redefined with the view to ensuring full compliance with the proclaimed principle of independence of the regulatory body. Likewise, it is necessary to strengthen its capacity to regulate and efficiently monitor the participants and processes in the financial market, and to strengthen the Commission's activity relating to the introduction of adequate

reporting based on International Financial Reporting Standards (IFRS) and principles of International Organization of Securities Commissions (IOSCO).

As full member of the International Association of Regulatory Bodies for Securities, Serbia will strengthen its national financial market through regional and international cooperation in order to improve the quality of its national regulations and enhance the monitoring capacity of the national regulatory body. In addition, Serbia will upgrade the level of professional competences and skills and enhance the confidence of investors and general public in the financial market.

2.1.5. Ownership and restructuring of enterprises

Privatization is not “an objective in itself”, but a necessary requirement to improve economic efficiency together with rise of investments and employment in Serbia. Privatization of state-owned or socially-owned companies shall provide the conditions for:

- Improved efficiency of domestic economy on the basis of more sound combination of production factors (workforce and means of production), their cost effective utilization and increased productivity of both production factors;
- Modernization of economy on the basis of increased investments into new technologies (means of production) through increased own accumulation (profit) and inflow of foreign capital;
- Long-term increase of production and productive employment.

All of the above should enable growth of new competitive economic structure that will be able to successfully participate in the international exchange of commodities and services.

So far, privatization in Serbia has followed two models: the model of prevailing free distribution of shares to employees and former employees in the subject of privatization, with the right to free shares for citizens, once the employees have exercised that right. The main legal codification of this model was covered by the Law on Ownership Transformation („Official Gazette RS”, vol. 32/97 and 10/01). The socially owned capital in the subjects of privatization has been partially privatized by the use of this privatization model and on the average they have remained with the following equity structure: 60% owned by the employees and 40% owned by the Share Fund. This privatization model was used by the June 2001, when the Privatization Law came into force („Official Gazette RS”, vol. 38/01, 18/03, 45/05 and 123/07), introducing the new privatization model.

The Privatization Law inaugurated the model of complete and one-off privatization where the buyer of the social capital (subject of privatization) purchases 70%, while the remaining 30 % of the social capital is distributed free to the employees and former employees of the subject of privatization. Pursuant to this model, sale of social capital of the subject of privatization is accomplished at once, overcoming the problem of partial privatization and privatization with postponed effect. The aim is to shorten the overall duration of privatization and accelerate its effects on the development of the subject of privatization and economic growth as well.

In the period 2002-2008, by 15 March 2008 the total of 2,157 companies were privatized. In all, 1,558 companies with 144,206 staff were sold at auctions with the total revenue of EUR 1,057 billion and mandatory investment of EUR 220 million. In the same period 89 big companies with 78,572 staff were sold in tender procedures generating the revenue of EUR 1,127 billion and mandatory investment of EUR 981 million.

As to the equity market, accelerated sales from the portfolio of the Share Fund was continued in parallel with withdrawal of the state from the private sector capital market. It means that the minority packages were sold in 510 companies, which had not been offered at the market before, generating the revenue of EUR 511 million. Also, 679 packages of shares of companies were sold, whose packages from the Share Fund were partially sold, with the revenue of EUR 2.8 million.

In the oncoming period, the following privatization activities are expected:

- Completion of privatization in companies in the social sector by the end of 2008;
- Completion of the sale of shares from the Share Fund portfolio by the end of 2009;
- Partial privatizations of NIS and JAT by the end of 2008.

According to the objectives stated above and as defined in the key policy paper entitled “Development of Privatization Program for 800 of the Remaining Socially Owned Companies by the End of 2008.”, the aim is to initiate the privatization process in the remaining socially owned companies in which this has not been done so far, and privatize the socially owned sector in full by the end of 2008.

Also, pertinent programs and concepts will specify the schedule and extent of partial privatizations of NIS, JAT and other systems (EPS, Nikola Tesla Airport, TELEKOM, Galenika) in greater detail by the sale of majority, i.e. minority package of the state equity; schedule and extent of privatization of the public utility sector on the local self-government level will also follow the pertinent privatization strategy. It is expected that by September 2008 the concept of privatization for the public-utility sector will be proposed.

2.1.6. Absence of major obstacles for entering and exiting the market

Entrance to the market – incorporation and registration of companies

The recent progress in implementation of comprehensive reform of the registration and institutional strengthening of the Serbian Business Registers Agency (hereinafter: SBRA) has been remarkable. In 2004 the competence for registration of companies was transferred from Commercial Courts and local administrative bodies to SBRA.

Previously, registration of companies took 51 days, the minimum amount of founding capital was set at USD 5,000 and the cost of registration was USD 202. After the reform, the complete administrative procedure for registration of companies takes 23 days (out of which only 3 for the registration with SBRA), the minimum amount of founding capital was reduced to EUR 500 and the cost of registration amounts to USD 60.

Concomitantly, the SBRA institutional capacity and its effectiveness have been greatly improved.

Consequently, 12,100 new businesses have been registered in 2007 (as compared to 6,329 in 2004), about 40 businesses are registered daily, and the annual increase of the number of new companies has reached 10%. At the same time, SBRA registers 150 new entrepreneurs every day, with 48,700 new registrations in 2007. The database for businesses and entrepreneurs is now fully operational. This has made it possible to exchange relevant data among all public institutions.

Further progress in the area of business registration is necessitated in order to provide for the whole economy to complete the procedures for launch of operations in a single institution (SBRA). At

the moment, according to the WB Doing Business, there are 10 procedures to be finished and 15 days are needed to launch a business. There is still a lot of room for improvement.

After registration with SBRA, companies still need to visit the national tax administration office to be assigned a Tax Identification Number (TIN), as well as the Fund for Pension and Health Insurance to register for social security (each of the institutions assign their special respective numbers to companies).

The Ministry of Economy and Regional Development (MERR) decided to focus the reform measures in this area to the transformation of SBRA into an one stop shop (OSS) for all procedures relating to company establishment, including the tax number assignment. It is suggested to implement the OSS concept for company establishment into two stages.

In the course of the first stage, authorization of SBRA to perform all activities necessary for assistance in company registration will be focused. Mid-term (stage 2), the reform will be focused at introduction of a single business identification number which will be used for all purposes. SBRA has promoted reform implementation by (1) establishing collaboration with all relevant institutions, (2) commissioning and publishing feasibility studies with all technical requirements for networking of all relevant public databases, (3) initiating unification of registration procedures for entrepreneurs, on the initial basis.

MERR drafted the principles for unification of all procedures relating to company registration in SBRA and submitted them to the Government for adoption, including the issuance of tax, social and pension identification number, as well as drafts for introduction of necessary amendments to the relevant pieces of legislation.

As an addition to the above, MERR has also set up a working group for the draft of amendments to the 2004 Company Law, in order to clarify it and harmonize with EU legislation, international economic practice and establish contemporary concepts and provisions on corporate governance and investment protection.

Exit from the market - bankruptcy

Implementation of the new Law on Bankruptcy Proceedings was initiated on 1 February 2005 with encouraging initial progress. From late 2007 the license has been granted to 392 bankruptcy administrators who were trained in implementation of the new law. The Center for Bankruptcy has been set up at the Privatization Agency to operate as a bankruptcy administrator for cases of bankruptcy of companies that are owned by the state.

Owing to its institutional capacities, the Privatization Agency managed to conclude several major cases of bankruptcy. By the end of September 2007 the Center for Bankruptcy had over 360 cases in its portfolio, two thirds out of which were cases open pursuant to the new law. At the end of 2007 the 808 cases awaited conclusion.

Over 25% of the cases were finalized and resolved within a year, while 20% of cases of bankruptcy take over two years, mainly because in some of the cases bankrupt companies were socially owned and were in bankruptcy for over 10 years.

The judicial information system is fully operational and makes it possible for the commercial courts to analyze cases and establish a set of indicators for procedural improvements. The Agency for Bankruptcy Administrator Licensing (ABAL) has also improved its functioning, but MERR will also be

actively involved in correction of the mode of ABAL funding, and will also insist of pertinent supervision of cases.

Due to the regulatory framework, MERR has set up a working group to draft the Law on Amendments to the Law on Bankruptcy Proceedings which will provide for more effective bankruptcy proceedings and enable improvement of bankruptcy indicators (time, expenses and cost of recovery). In the process of achieving this goal MERR pursues detailed regulatory impact assessment (RIA) on the potential alternative regulatory changes of the current framework of the bankruptcy system. In the first quarter of 2008 MERR has also issued a new rulebook on the bases and measures for determination of remuneration and reimbursement of expenditures of bankruptcy administrators.

2.1.7. Legal system relating to economic issues

The efficiency of commercial courts

Commercial courts have an important role in undertaking economic reforms because their fast, efficient, lawful and transparent work certainly influences the security of investments.

The present organization of commercial courts in the Republic of Serbia (17 commercial and the Superior Commercial Court), according to the annual report of 2007, can provide full efficacy, which is proven by the statistical reports on the number of received and resolved cases in 2007 (total number of received cases is 125,906 cases, and the number of resolved ones is 126,969).

The amendments to legislation have also changed the structure of received cases. The greatest number of received cases belongs to the matter of execution (55.09%) and litigation cases (22.16%). The smallest number of cases belongs to bankruptcy matter (0.23).

It is important to underline that first-instance courts resolved most cases in the period of 3 to 6 months, which corresponds to the nature of commercial disputes and the needs of economy, and implementation of the Law on Bankruptcy Procedure has brought a significant reduction of bankruptcy procedure's duration, so an average duration of bankruptcy procedure in all commercial courts is 917 days.

Regarding human resources, the Supreme Judiciary Council has envisaged increase the number of judges' posts in the Superior Commercial Court by 5, according to the number of received cases, as well as change in the number of judges in first-instance courts. No judge has been elected to courts in the past two years, and since certain judges have met the conditions of retirement, the total number of commercial court judges has decreased. The planned assignation to vacancies and new organization of work is expected to significantly improve the work of commercial courts.

In order to achieve better efficiency of commercial courts, beside election of sufficient number of judges in all commercial courts and the Superior Commercial Court, it is necessary to implement the programme of automatic adjudication of cases (AVP) and the programme of automatic collection of data (APP).

Aiming at more efficient work and better transparency of proceedings in commercial courts these projects are being implemented within USAID-CCASA project in commercial courts of Novi Sad and Belgrade and it is supported with a necessary computer equipment, which has shown the greatest improvement of work results.

The work efficiency is also influenced by adequate technical equipment of judges and their assistants (computers, professional literature, etc.), adequate working space (preparation for the relocation of the Superior Commercial Court to new premises is in progress), as well as the support to provision of professional training and meetings in the area of commercial law, organized by the Supreme Court of Serbia and the Superior Commercial Court.

Solving cases in short time is provided with introduction of court mediation and settlement between the parties. Mediation in appeals – second-instance cases is especially important. The Superior Commercial Court has had a single case in which it solved a dispute through mediation (in 30 days) and released the sum of 146 million dinars.

The above stated can lead to a conclusion that the organization of work and actions taken and underway significantly improve efficiency, lawfulness and transparency of work of commercial courts in order to provide security for all parties to procedure, which provides security of investment too.

Property rights

The main law regulating property relations currently in force in the Republic of Serbia is the former federal Law on the Basis of Property Relations ("Official Gazette of the SFRY", No. 6/80 and 36/90 and "Official Gazette of the SRJ", No. 29/96). This law, like all other laws, does not specify quantitative limitations in acquiring property rights to the agricultural land. The Law on Agricultural Land from 2006 ("Official Gazette of the RS", n. 62/06) regulates the use of agricultural land in private ownership, as well as in other forms of ownership. The valid Law on Planning and Development from 2003 ("Official Gazette of the RS", n. 43/03 and 34/06) stipulates the rules for the municipal building land and specifies certain possibilities for a building land owned by the state to become private ownership. However, the reform of the property rights to a building land is forthcoming and will be covered by an appropriate law.

The Law on the Basis of Property Relations regulates the rights of foreign natural persons and corporations to properties in the Republic of Serbia. Foreign natural persons and corporations that do business in the Republic of Serbia may, under conditions of reciprocity, acquire the property right to properties indispensable for performing their activities (Article 82a, Paragraph 1). A foreign natural person not doing business in the Republic of Serbia may, under conditions of reciprocity, acquire the property right to a flat or a residential building in the same way as a citizen of the Republic of Serbia (Article 82, Paragraph 2). According to Paragraph 3 of the same article, foreign natural persons and corporations cannot acquire the property right to properties in certain areas of the Republic of Serbia defined by law (border areas, national parks). The Law on Agricultural Land stipulates that a foreign natural person or a corporation cannot own agricultural land. However, the new Law on Ownership and Other Real Rights is currently being developed and modifications referring to this legal issue are expected.

Concessions are regulated by the Law on Concessions from 2003 ("Official Gazette of the RS", No. 55/03) which envisages the possibility of concessions for utilizing natural resources. Foreign persons may obtain concessions under the same conditions that apply to Serbian citizens. The new Law on Concessions is currently being formulated and it should overcome certain shortcomings in the existing solutions that have so far emerged in the law implementation.

2.2. ABILITY TO CONFRONT COMPETITION PRESSURE AND MARKET FORCES WITHIN THE EU

2.2.1. Human capital

Employment

Employment and labor market

The labor market in the Republic of Serbia, in spite of high, structural and long-term unemployment, has been characterized with imbalance of supply and demand for the workforce, its low mobility, major regional differences, surplus of staff in state-owned and socially-owned enterprises, outdated knowledge and skills of both employed and unemployed persons, resulting from technological and economic stagnation of the society in the preceding period. After 2000 restructuring of economy has been undertaken (the economy experienced true economic and social crash in full arrest of economic development) together with privatization. Macroeconomic stability and economic growth have been achieved, which did not have any major impact on the labor market indicators in the light of the adverse features and trend of slow reduction of the total number of employed persons.

Basic indicators of employment and unemployment

		2001.	2002.	2003.	2004.	2005.	2006.	2007.
1. Total number of employed persons (in thousands)		2,102	2,067	2,041	2,051	2,069	2,029	2,002
2. Rise of employment rate, in %		0,2	-1,7	-1,3	0,5	0,9	-1,9	-1,15
3. Number of unemployed persons Ø		768,595	842,652	947,295	859,728	888,386	913,293	850,003
4. Unemployment rate, in %	ARS	13.3	14.5	16	19.5	21.8	21.6	18.8
	NES	24.71	27.09	27.83	26.22	26.83	27.92	26.83
5. Vacant posts (cumulative)		542,159	463,941	513,325	507,694	602,558	707,140	758,832
6. Employment (cumulative)		393,371	386,053	432,103	439,422	537,139	631,535	695,508
7. Number of beneficiaries of cash allowance Ø		51,150	69,566	91,000	84,119	74,654	75,059	70,887

Employment. Pursuant to the 2007 official data, there were (on the average) 3,167,778 unemployed (occupationally) active persons: 2,002,345 employed persons (annual average)⁵, 432,851 employed in enterprises, institutions, cooperatives, organizations; 569,494 private entrepreneurs who are self employed including the staff they employ; 315,430 farmers (small individual farms) (situation as of 30 November 2007)⁶, 850,003 unemployed persons (annual average)⁷. In 2007 the number of employed persons was reduced in comparison with 2006, where the number of persons employed by enterprises, institutions, cooperatives and organization was lower by 2.6%, but the number of private entrepreneurs, self-employed persons and persons they employ was increased by 2.8%.

However, after several years of growth, the unemployment rate in 2007 started to recede, i.e. positive trend emerged, although the labor market has still preserved the same features (high unemployment, low share of employment in the private sector, low mobility of the workforce, where unemployment in the Republic of Serbia has a long-term, structural and transitional nature). The unemployment rate is high (18.8% according to a survey on workforce), with poor qualification/educational, age and gender structures, and with high number of people participating in grey economy.

⁵ Source: COMMUNICATION ZP20, of 17.01.2008; National Statistics Office

⁶ Source: National Fund for Pension and Disability Insurance of Farmers

⁷ Source> National Employment Service

Reduction of the unemployment rate, i.e. share of unemployed people in the workforce by 2.8 index points resulted from increased employment in 2007 with active policy measures and reduction of the number of false unemployed with implementation of new regulation in the area of health insurance and activities of inspection bodies on suppression of labor in grey economy.

Also, the registered unemployment is receding – in late December 2007 the National Employment Service (hereinafter: NES) registered 785,099 unemployed persons, which is a 14.3% decrease in comparison with the same period in the previous year and 15.2% decrease in comparison with the number of unemployed persons registered in January 2007.

Comparative employment and unemployment rates in 2007 and 2006

Age group	Employment rate		Unemployment rate	
	October 2006.	October 2007.	October 2006.	October 2007.
Occupational age (15-64)	49.8 %	51.5%	21.6 %	18.8%
Young people 15-24 yrs	19.5 %	18.7%	47.8 %	43.7%

Source: ARS, National Statistics Office

Unemployment. In the structure of registered unemployment, the number of persons seeking employment for the first time is very high – 381,501, so that they participate in the total unemployment with 48.6%. Over the year rise of share of unemployed persons who used to be employed has been registered in parallel with a decreasing share of unemployed that seek employment for the first time. Accordingly, we may conclude that the rise of unemployment of persons who used to be employed is greatly induced by the reduction of hidden unemployment in the process of company restructuring. Also, long-term unemployment has also been very high (unemployed persons seeking employment for more than 2 years) – 450,408 persons or 57.4%. In late 2007 the average duration of unemployment was 50.4 months (or 4.2 years), while unemployed women on the records of the NES seek job for 56.4 months (or 4.7 years).

The unemployment structure is changing:

- Relating to the age structure, a rising trend of unemployment is noted for older age groups, that parallels the trend of reduced unemployment in the younger age groups – over 21% of unemployed persons are over 50 years of age;
- In the total number of unemployed persons, majority have secondary school level of qualifications (III and IV degree): 420, 993, i.e. 53.62%;
- 53.8% of unemployed persons are women;
- since 2000 a falling trend has been noted among unemployed persons seeking employment for the first time (from 62% to 48.6%), in parallel with the rising trend of the number of unemployed persons that used to be employed, i.e. persons who are laid off in the company restructuring process, organizational and technological changes and preparation for privatization;
- 57.3% persons wait for employment for over 2 years. The most of unemployed persons in this category are unqualified workers, i.e. 40.96%.

Objectives and measures of economic policies on the labor market. Strategic objectives in the area of employment (PEP) imply establishment of a stable and sustainable employment rising trend that will be accompanied with rising share of occupationally capable population at the labor market. By 2012 the employment rate growth of 1.5% is expected annually, and achievement of the 67% level, which goes in parallel with the decreasing unemployment rate. In order to achieve the strategic objectives in the employment policy, active employment policy measures are put in place in order to promote economic growth and development accompanied with new jobs, increasing employment and opportunities for employment, more balanced regional development, increasing competence and training of the workforce at the labor market, further development of partnership and collaboration for promotion of employment and self-employment.

Objectives and priorities directly aimed at sustainable increase of employment which are incorporated into the 2006-2008 National Action Plan for Employment comprise:

- reduction of unemployment, increased competitiveness, reduced differences between regional labor markets as well as reduced differences between the labor markets in Serbia and EU;
- increased volume and type of active measures to promote employment (programs of support for self-employment, opening of new jobs, additional training and education, public works programs, as well as other statutory programs), transformation of passive measures of the labor market into the active ones, support to professional and geographic mobility, identification of long-term needs of the labor-market;
- resolution of labor legal position of redundant employees, promotion of adaptability of workforce and companies for changes, improved supply of workforce through continuous education and training programs, with increased participation of marginalized groups;
- promotion of social dialogue and effectiveness of social-economic councils and local employment councils, more active participation of stakeholders in the social, educational, tax, economic, regional and other policies towards providing conditions for increased employment;
- decentralization and modernization of NES operations.

Strategic directions of actions at the labor market

1. At the labor demand side – promote new employment for salary in the private sector through incentives to the current growing companies and sectors and support by direct investments,
2. At the labor supply side – promote improvement of skills and knowledge of the workforce to meet the needs of the growing sectors through introduction on new training and re-qualification programs,
3. Promotion of integral employment policy on the level of the RS Government, i.e. systematic regulatory impact assessment in respect to any legal reform or economic policy measure on the labor market.

Education

The basic direction of the modernization and development process of the education system of the Republic of Serbia are quality improvement, management and financing system transformation, stakeholders and social partners' engagement related to knowledge transfer efficiency and skills development of all the actors of educational process and respect of ethnical, cultural and linguistic differences. This process will make the educational system one of the important factors of technical-technological, socio-economical and individual development. Simultaneously, the future educational system development has to follow and be in accordance with the proclaimed European educational goals up to 2010: educational and training quality increase in accordance with new knowledge based society demands and teaching and learning process modernization; easier access to educational and qualifying

systems in accordance with lifelong learning, employment efficiency, career development and active citizenship, equity and social cohesion principles.

National Strategy for development of commerce of the Republic of Serbia for 2006 till 2012 defines knowledge as the basic capital of future development of The Republic of Serbia. Following phases of the educational system reform of The Republic of Serbia include:

- educational and structural system development towards flexible vertically and horizontally mobile system that also implies the introduction of new organizational models and programmes based on learning outcomes and competencies, in agreement with social partners and stakeholders;
- further institutional development in the field of vocational and adult education and further development of the educational programmes modular system;
- redefining the professional practice forms, modes and contents in commercial enterprises/corporations;
- balancing general and vocational, i.e. theoretical and practical education and further modernization of the teaching content, organization and methods, teachers' activities and the school as a whole;
- standards system development concerning institutions, teachers and educational programmes;
- redefining the working and educational profiles and defining the professional profiles in accordance to the needs of the new economical reality and the principles of long-term development;
- accreditation and certification system development comprising: educational and training institutions; balancing the knowledge and skills relation within the context of non-formal learning; recognition modes in the certification system;
- secondary school network rationalization in accordance to the needs of economy and job market, local community and tendencies originating from socio-economical development and employment politics, and change of existing secondary schools admission politics in accordance to the job marked needs, individual and social interests and wishes;
- 3-year vocational school capacity increase as a direct response to the market needs;
- institutionalization of a long-lasting and active social dialogue, especially in the spheres of vocational education and employment;
- educational quality assurance in the terms of constant monitoring and evaluation both of teacher and pupil achievements and educational institutions in general;
- development of the transparent, functional and just assessment and evaluation system of the pupils' achievements;
- teaching tools and equipment innovation
- educational management establishing and development;
- national qualification system framework.

Health insurance reform

The reform of the health insurance system in the Republic of Serbia commenced with the passage of the new Health Insurance Law which entered into force on 10 December 2005. To implement the Law, a large number of regulations were adopted by the Republican Health Insurance Institute as well as by the Ministry of Health.

The health insurance system reform will also continue in the coming period. This will be done on the principles laid down by the mentioned Law, that is by developing the Bismarck model of compulsory health insurance based on the principles of compulsoriness, solidarity and mutuality, the principle of transparency, the principle of safeguarding the rights of insurance beneficiaries and protecting public interest, the principle of persistent promotion of the quality of compulsory health insurance as well as on the principle of economics and efficiency of compulsory health insurance. In addition, the health insurance reform will also entail introducing voluntary health insurance (supplementary health insurance, additional health insurance and private health insurance as well as setting up separate funds for voluntary health insurance).

The mentioned Law has established the principle of comprehensive compulsory health insurance, i.e. the principle according to which conditions should be created for all the citizens of the Republic of Serbia to become insurance beneficiaries on one of the grounds prescribed for compulsory health insurance subject to payment of the contribution provided for by the Law both for insurance beneficiaries and Employers (in equal parts).

Further, the obligation has been introduced for the Republic of Serbia budget to secure financial resources for compulsory health insurance of the persons belonging to the population category exposed to a higher-than-normal risk of contracting a disease, i.e. for health care required for prevention, control, early detection and treatment of the diseases of major social and medical concern as well as for health insurance of persons belonging to any socially vulnerable population category if they do not fulfill the requirements to become insurance beneficiaries on the grounds of their own qualities (based on their employment or pursuit of another business activity). This virtually means that the Republic of Serbia budget will be required to pay the compulsory health insurance contribution for the above mentioned persons who are not insured on any other grounds. The contribution will equal 12.3 percent of the lowest basic monthly salary provided for by the Law which amounts to 35 percent of the monthly salary average in the Republic paid out for the previous quarter according to the data of the Republic authority responsible for statistics. In the coming period the Republic of Serbia budget should secure the entire amount of funds for health insurance of these persons since at present the funds earmarked in the Republic of Serbia budget are below the level which would be arrived at if the above mentioned formula were applied. To that end, the required funds should be planned in the Republic of Serbia budget for health insurance of these persons so that they can exercise their rights in the field of compulsory health insurance, i.e. so that these persons' health insurance can be secured from real revenues which are paid to the credit of the Republic Health Insurance Institute.

To secure the funds for effectuating the health insurance reform as well as the health care reform, the amount of the funds allocated for health from the GDP should be increased. Namely, in the past period the health insurance allocation amounted to 6.5 percent of the GDP but this share was lowered to 5.9 percent following the adoption of the Memorandum on the Budget for 2008 and 2009, which is the lowest allocation in the EU member states and is one of the lowest amounts in comparable legislations. In order to create realistic elements for planning the health care allocation as a share of Gross National Product, it is necessary to open a health account at the level of the Republic of Serbia, which would serve as a basis for monitoring spending in the health system as well as for planning health care allocations from the Republic of Serbia budget. By setting up the national health account, conditions would be created to develop an economically sustainable health insurance system and health care system.

The new Law on Health Insurance that has been passed prescribes the rights to be provided from compulsory health insurance by the Republic Health Insurance Institute as well as the percentage of the

health service price that has to be paid from compulsory health insurance funds. For certain health care services the Republic Health Insurance Institute pays 100 percent of the price of the health care service concerned but the Law stipulates for which health care services the Institute has to pay at least 95 percent of their price, at least 80 percent of the health care price and at least 65 percent of the health service price respectively. In this way, the share paid by insurance beneficiaries exercising the rights from compulsory health insurance has grown relative to the previous period. Due to the current financial situation of insurance beneficiaries, however, the Republic Health Insurance Institute is paying a higher share of the price of health care services than the prescribed percentages (there are legal grounds for that). In other words, the level of low share paid by insurance beneficiaries exercising health care (rights) has been maintained (the low level of prescribed sharing in the price of services provided). In parallel with the growth of salaries of employees, i.e. once economic opportunities have been created for insurance beneficiaries to set aside a larger amount to share in the service price, the amount of such share will gradually increase up to the level that has been provided for under the Law.

By gradually increasing the prescribed share that the beneficiaries have to pay by themselves for particular types of health care services conditions will also be created for introducing voluntary health insurance. This increase in the GDP share set aside for health care will pave the way for upgrading citizens' health care, i.e. for providing health care that has been brought into line with the European Union standards.

2.2.2. Physical capital

Transportation

The most important Trans-European transportation network segments crossing the Republic of Serbia are:

1. Corridor X with its branches - Xb (Belgrade-Budapest) and Xc (Nis-Sofia), representing the most significant highway and railway route in the territory of the Republic of Serbia. It was established as a part of the South-eastern multimodal axis defined by the HLG Final Report, linking Austria/Hungary, Slovenia/Croatia, Republic of Serbia and Bulgaria/Macedonia/Greece. It covers 792 km of roads and 760 km of railway lines in the Republic of Serbia;
2. Corridor VII (the river Danube) is the backbone of the European internal routes, connecting Central Europe with the Black Sea via the Republic of Serbia, and it represents a part of the South-eastern multimodal axis. River Danube is a cross-border river roughly 600 km in length and completely navigable throughout its course in our country.

Republic of Serbia is surrounded with Pan European corridors and their subsequent branches: Budapest – Arad – Krajova – Sofia – Thessaloniki (Corridor IV), Arad – Bucharest – Konstanca (division of Corridor IVa), Budapest – Samac – Sarajevo – Ploce (division of Corridor Vc), and Valona – Tirana – Skopje – Sofia (Corridor VIII). Also, in the close proximity of the Republic runs Adriatic freeway intended to, along Adriatic coast through Montenegro interconnect branches of Corridor Va and Vc (Rijeka – Ploce) and Corridor VIII in Valona.

The HLG Final Report, dated November 2005, defines European priority projects for the Pan-European Corridors VII and X, in terms of expanding the trans-European network to the neighboring countries and regions. The Report also reflects on the so-called “horizontal issues”: intermodality, interoperability, security and safety in transportation and infrastructure, removal of non-physical barriers and traffic management.

The European Commission through CARDS program, and international financial institutions such as EIB, EBRD and WB are providing support for major investment projects underway in the Republic geared at maintenance, construction and infrastructure reconstruction projects, and the construction of major institutional capacities of vital importance. This support is expected to continue in the years to come, particularly in the area concerning infrastructural projects of the European corridors.

The EU Instrument for Pre-accession Assistance (IPA), as a new pre-accession assistance mechanism was established in 2005, pursuant to the Council Regulation on Establishment of the Instrument for Pre-accession Assistance No 1085/2006, dated 17th July 2006. The priorities and their implementation funding are determined according to the Multi-annual Indicative Planning Document (MIPD), prepared by the Commission in consultation with the National IPA coordinator and competent ministries. The purpose of IPA is to satisfy the needs of the stabilization and accession process in the Republic, and it successfully succeeded program CARDS. IPA Fund has only in the 2007 allocated 186.7 million euros to Serbia.

REBIS project, financed by the European Commission through CARDS program was concluded in July 2003 and covers following Balkan countries: Albania, Bosnia and Herzegovina, Montenegro, FYR Macedonia, Croatia, Serbia and UNMIK controlled region of Kosovo (UNSCR 1244). A final REBIS study report focuses on the development of the multimodal Core Network comparable to EU Trans-European Network.

SEETO was established as a part of the EU Regional CARDS Program of 2003 for the region covering Albania, Bosnia and Herzegovina, Montenegro, FYR of Macedonia, Croatia, Serbia and UNMIK controlled region of Kosovo (UNSCR 1244) with one of its principle goals being devising a Five-year Core Network Development Members Action Plan (MAP). Up until now three MAP documents were adopted, them being 2006-2010 MAP, 2007-2011 MAP and 2008-2012 MAP, while the development of MAP 2009-2013 is currently underway.

Strategy for Development of the Railway, Road, Water, Air and Intermodal Transport in the Republic of Serbia 2008-2015 (hereinafter: the Strategy), adopted by the Serbian Government on the 27.12.2007, determines current status in the relevant transportation areas, establishes infrastructure and transportation development concept, defines short and long-term transportation system development objectives and pertinent implementation action plan, while taking into consideration a need for sustainable development of transportation in the Republic. The guidelines for such development are set up on the system level and based on the principles of safety, intermodality, use of modern technologies, complementary utilization of all types of transport, and rational utilization of the available capacities and resources in the country, thus promoting interests of general population of the Republic of Serbia.

The Strategy serves purpose and is based on the vision for the year 2015 which takes into an account aspects concerning social development in the Republic, government's tendencies and course toward accession to the Union, sustainable development of the transportation system and stability of institutions.

While examining the importance of transportation systems in any given state, it is important to consider prevailing aspects referring to the quality of life and overall economic development. Well developed transportation system has direct effect on individual mobility and availability of remote and other areas based on major improvements in rational time consumption, thus directly influencing the quality of life of the population in a broader sense. The Strategy in general can determine the influence transportation system has on the quality of life and development of economy both on individual level and for the society as a whole.

Improved transportation and infrastructural capacity of the Republic will allow for increase in production of both goods and services, their consumption and exports, directly creating foundation for

improving general welfare. Transportation infrastructure is an instrument for equal and equitable regional development, strengthening territorial integrity and preserving territorial sovereignty. Direct investments can contribute to a more equitable allocation of gross national product per capita. In the planning process it is crucial to keep in mind that economies of various regions in the Republic are characterized by sometimes completely different structures, and that some areas are by far much more dependable on the transportation network than others.

However, in order to generate positive effects on the economic development, transportation system must first achieve a certain level of development itself. The current state of the transportation system in the Republic is a legacy of a drastic economic downfall of the 90's and a painfully slow recovery. In order to be at the eye level with the EU Member States it is essential to achieve a level of development comparable to theirs. This Strategy is an instrument that underlines priorities for achieving referred goals.

Railway transportation

Mainline railroads run through all bigger towns in Serbia and intersect in the city zones of Belgrade and Nis. Out of the total length of 3 809 km of railroad network in the Republic of Serbia, 1 768 km are mainline railroads. The current situation in the railroad system is such that only 32%, or 1 247 km is electrified, while only 7%, or 276 km of the railroads run on two tracks. The average acceptable network density in the Republic is very uneven and decreases dramatically towards the southern part of the Republic.

Approximately 25% of the mainline railroads of the railway network in the Republic is located along Corridor X and its branches Xb и Xc. Only around 45% of the railroads in the Republic has approved axel weight of 22,5 т, while 30% of the railroads has approved axel weight of under 16 т. Allowed travel speed is over 100 km/hour on only 3,2% railroads, while a vast majority of railroad tracks, around 50% of them allow for maximum travel speed of only 60 km/h. Exceptions are certain electrified railroad track lines between Belgrade and Sid, and Velika Plana and Nis, running on two tracks, where some sections allow for higher speeds, while the remaining railroad tracks have outdated technical and technological parameters. Some sections of the tracks have parts in an extremely poor condition, limiting travel speed to sometimes even 20 km/h or less.

Serbian Railways public enterprise currently has access to 480 locomotives, 8 500 freight wagons and 550 passenger coaches, all of them being relatively old and unreliable, with an average age of over 30 years. Exploitable rate, depending on the vehicle type varies between 26% and 61%.

Inadequate investments in the basic maintenance of the railway system are due to the economic underdevelopment of the precedent period, poor organization and shortage of resources, inadequate social policy and manpower structure. Current conditions in the railway infrastructure generates a need for revitalization and modernization of additional 1.000 km of mainline railroad tracks representing 57% of the main railroad network, or 26% of the entire railroad network. Funds required for revitalization and maintenance of the railroad network in the next ten years will require 3.9 billion euros.

PE Serbian Railways is faced with an alarming state of the railroad infrastructure and shortage of the modern rolling stock. Rehabilitation and improvements are indispensable along the entire Corridor X which is a backbone of the entire system carrying 25% of the entire railroad network with over 50% of the transportation activities.

The goal is to relieve existing grievances, and develop international railroad transportation network through a coordinated plan for reconstruction, construction and furnishing of railroad tracks in accordance with the international transportation needs under the European Agreement on the Main International Railway Lines (AGC).

Republic of Serbia will gear its capacities toward procurement of railroad services. Substantial increase in single track capacities can be achieved through constructing shorter double track bypassing and/or round-about sections according to the national priorities. In all other cases it is important to conduct feasibility studies to determine whether alternative and affordable solution, a single track railroad with double track sections, and substantial investments in the automated systems can increase tracks' capacity.

The objective is to increase average railroad travel speed and its competitiveness by concluding agreements aimed at securing One Stop Shop types of transportation in the primary phase, and No Frontiers type of transportation at the latter date.

The priority EU projects in the railroad transportation field in the Republic, according to the cited HLG document defined in List 1 – Short-term and mid-term projects are:

1. 6–reconstruction and modernization of the railroad line running from the Hungarian border – Nis – Bulgarian border/FYR of Macedonia border, including railway bridge over river Danube in Novi Sad;
2. 7– Railroad transportation reconstruction and modernization of the Belgrade railroad interchange loop.

Belgrade Intermodal Logistical Platform included in List 3, number 39, partially relates to the overall state of the railroad transportation in the Republic.

The Strategic Business Plan of PE Serbian Railways for 2006-2010, in addition to the company's consolidation, envisages phased infrastructure construction, modernization and reconstruction and procurement, modernization and reconstruction of the railway traffic resources, namely:

- 1) Railway tracks and structures in the Corridor X, Belgrade railway loop and the Dimitrovgrad railway station;
- 2) Railway line Belgrade-Bar (Belgrade-Pozega-Vrbnica-border with Montenegro);

Modernization of 38 electric propelled locomotives, procurement of 1100 new freight wagons, 18 new maneuvering locomotives, and 10 used self-propelled coaches, modernisation and reconstruction of 27 electric and diesel propelled coaches and 30 passenger coaches.

Under the Law on Vehicles Owned by the Republic of Serbia, at the moment the state owns the complete property given to the Public Enterprise (PE) „Serbian Railways” for its use. The current operation is state-subsidized with approximately 100 million euros. The subsidy amount in nominal terms was declining from 2002 when it amounted to 10 billion dinars to 2006 when it was 8 billion dinars. In 2008, the subsidy amounts to 10.6 billion dinars. The intention is for infrastructure to be financed by the state, whereas transportation, as a commercial function, would not be subsidized.

According to the solutions from the Decision to establish PE „Serbian Railways”, it is necessary to develop the Financial Consolidation Plan and to implement it before applying the liberal solutions from the Law that envisage access of both domestic and foreign hauliers under the same conditions. Financial consolidation means, primarily, regulation of status of foreign debts that amount to over 600 million euros. The deadline for implementing this activity depends of the state's possibilities. Financial consolidation is necessary in order to render the PE „Serbian Railways” capable for market operation. Technical and organizational consolidation of this public enterprise is expected in the coming four years. There is a possibility for creating conditions for partial privatization (goods transport).

Introduction of Public Service Obligation for certain routes by the state or local self-government unit, for the haulier, is one of the novelties in the Law on Railways, that is to be implemented already in the course of 2009 or not later than in 2010. This practically means that the hauliers will be made obliged to

provide transportation on certain non-profitable routes for which the interest exists, in the state's view. At the same time, such transport will be subsidised to the full justified transportation cost price.

The system of fees for the use of infrastructure will also be put in place in the coming years. The work on the Methodology for determining the amount of fee for the use of railway infrastructure is underway. It should be adopted by the Government. The plan is to introduce the system of fees first „in a shadow“, where the fee amount would be tested only at PE Serbian Railways. In the second stage, the local market would be open. In accordance with the Stabilization and Association Agreement, operation under market principles will start. The infrastructure administrator (part of PE Serbian Railways) will collect the fees for access and use of the infrastructure from all hauliers who are interested in using the railway infrastructure and who meet the related conditions legally prescribed conditions.

The Memorandum on Economic-Financial Program of the Government of the Republic of Serbia and the International Monetary Fund was to draw attention in 2005 to auxiliary activities, i.e. parts or organizational units of public enterprises, as well as to launch the privatization procedure in newly established dependent limited liability companies. To that end, the Government of the Republic of Serbia and the Public Enterprise „Serbian Railways“ entered into the agreement on assignment of foundation rights to nine enterprises including:

- 1) Railway car manufacturing plant „Zelvoz“ d.o.o. (limited liability company) Smederevo
- 2) Tourism enterprise „KSR Beogradturs“ d.o.o. (limited liability company) Belgrade,
- 3) Enterprise for Cleaning and Maintenance of Railway and Road Vehicles „Car Care and DDD“ d.o.o. (limited liability company) Belgrade,
- 4) Transport Equipment Plant „Faso“ d.o.o. (limited liability company) Belgrade,
- 5) „Fersped“ International and Domestic Freight Forwarding a.d. (share-holding company) Belgrade.
- 6) Enterprise for Railway Publishing-Newspaper Activity „Zelnid“, d.o.o. (limited liability company) Belgrade,
- 7) Enterprise for Railway Catering and Tourism „Zelturist“ d.o.o. (limited liability company) Belgrade,
- 8) Company for Maintenance of Buildings d.o.o. (limited liability company) Belgrade,
- 9) Company for Fire-Protection and Security of Establishments and Property d.o.o., (limited liability company) Belgrade

This was followed by preparations for initiating the privatization procedures of these enterprises. Namely, their founding acts were amended and persons were appointed to act as focal points through which the Government as the founder was to exercise its powers delegated to it by the Assembly. According to the situation in March 2008, in all of the nine limited liability companies the assignment of founding right to the Republic of Serbia has been finalized, management authorities have been established (General Meetings and Managing Boards) and the founding acts have been amended. All these companies are in the preparatory stage for privatization and prospectuses have already been publicized for some. Further procedure is within the competence of Ministry of Justice – Privatization Agency. The total number of presently employed persons in these companies is 3,822, but after the first wave of downsizing it will be reduced to 2,267, and after the second to 1,555. The founding rights have also been assigned for the Enterprise for Development of Real Estate Projects „Proinvest“.

Until March 2008 only two companies were privatized, namely: Railway Car Manufacturing Plant „Zelvoz“ d.o.o. (limited liability company) Smederevo, and Company for Fire-Protection and Security

of Establishments and Property d.o.o. (limited liability company) Belgrade. Problems relating to privatization of other companies stem from unresolved property-legal relations between the public enterprise and these companies. The assigned property has not been actually registered in books and is thus still considered to be owned by the public enterprise or has been entered in the founding act but has not factually been assigned.

In the technical-technological system of Serbian railways a series of measures have been implemented with the view to rationalization, in terms of putting an end to transportation on unprofitable routes, rerouting of transportation capacities from unprofitable to profitable routes, downsizing (from cca 32,800 in 2000 the number of employees was reduced to 21,000 in 2007; at the end of the restructuring procedure, the number of employees will range between 17,000 and 19,000).

The Law on Railways („*Official Gazette of the Republic of Serbia*, No. 18/05) is a foundation for separating railway infrastructure management from the railroad transportation sector which allows access to the railway infrastructure.

Further reconstruction of the PU Serbian Railways is provided by the PU Serbian Railways Business Plan for 2006-2010 – a Strategic Plan for implementation following financial consolidation. With the aim of accelerating this process some key activities to be undertaken are described through following phases:

1. systematization and reorganization;
2. re-education of the workforce;
3. separation of marginal activities;
4. reduction and abolition of unprofitable services.

Loan realization in the amount of 70 million euros indented for the reconstruction of the railway system, particularly reconstruction of critical sections of Corridor X and its branches (sections connecting national border – Dimitrovgrad, Kusadak – Velika Plana, Slovac – Valjevo, railroad bridges between Nis and Dimitrovgrad and road works at the Dimitrovgrad station railway facility. Substantial effect has been accomplished following the reconstruction of 6 railway tunnels and 19 railway overpasses of the Nis-Dimitrovgrad bound railroad (Corridor X) providing for free profile of railroad tracks in accordance with the UIC-C norm, and enabling all types intermodal transportation units interchange along Corridor X. This reconstruction was a prerequisite for the planned railroad lines electrification project.

European Bank for Reconstruction and Development Loan (EBRD-1) in the amount of 57 million euros was also realized. This loan enabled procurement of the reconstructed rolling stock, and provided funds for obtaining railroad tracks maintenance mechanization and resources for developing a social program aimed at solving collective redundancies in the enterprise. EBRD – 1 Loan direct results are improved rolling stock conditions and substantial improvements in the Serbian railway sector workforce structure produced in synergy with the governmental social plan which through restructuring of the enterprise reduced the number of employees by 11.832 between the periods of 31.12.2000 and 31.12.2006.

EIB-2 Loan in the amount of 80 million euros, signed on 08.12.2006 is intended for reconstruction and modernization of the following railroad line sections: Batajnica – Stara Pazova – Golubinci (Beograd – Sid railway), Jovac (Gilje) – Cuprija (Belgrade – Nis railway), and Cele Kula – Stanicenje (Nis – Dimitrovgrad railway). Its realization is expected in the period of 2008-2010.

New EBRD - 2 Loan in the amount of 60 million euros, signed on 14.07.2006, is intended for procurement of 1200 new freight vehicles and sub footing bench plane. The tender is completed and freight vehicles delivery is underway.

Negotiations between governmental officials and EBRD representatives concerning new EBRD - 3 loan for procuring new electric propelled passenger coaches for Serbian Railways begun recently.

Also, talks with the World Bank representatives concerning a loan for Serbian Railways locomotive stock modernization and procurement of freight wagons are underway.

Kingdom of Spain has approved and granted a 32 million euros loan to the Republic and to the PU Serbian Railways for its rolling stock recovery and procurement of 10 diesel propelled trains, for reparation and modernization of at least 20 passenger coaches for inland transportation, reparation and modernization of at least 10 couchette coaches for international interchange. This loan is expected to be realized during 2008 and 2009.

Road transport

Road transport in Serbia is a dynamic and predominant means of transport accounting for around 80% of the total volume of transported freight, namely for around 74% of the total number of transported passengers. Enterprises engaged in road transport of freight and passengers have been almost fully privatized (except for a small number of enterprises that are about to be privatised) and operate in the free competition conditions, and the role of the state is limited to managing this field in terms of issuing licences, road transport permits, supervision, etc.

Management of public roads of I and II classes, as well as management of road traffic is, under the Law on Public Roads, within the competence of PE „Serbian Roads“. This public enterprise operates under the Law on Public Enterprises and manages about 17,000 km of roads in Serbia. The main goal of this enterprise is to improve the roads network. Road enterprises that are under the contracts with public enterprises responsible for maintenance, rehabilitation and reconstruction of public roads have all been privatized.

The development of road infrastructure, modernization and improvement of the rolling stock and raising general awareness about road safety directly impact also the reduction of external economic costs and the environmental protection. According to the World Bank Report (August 2007), Serbia loses 2.3% of its GDP as a result of traffic accidents.

Air transport

The privatization agency, in its capacity of the purchaser, conducted the public procedure for procurement of advisory services of preparation and implementation of the privatization of air transport PE JAT Airways. Selected as the most favourable bidder was the Consortium led by a Rothshild company (Rothshild & Cie, Citadel Finanacial Advisory ltd., Clyde & Co LLP, Aviation Economics and Dekonta ltd.). The Managing Board of this public enterprise adopted the Decision on assignment of the entire share and all founding rights in „JAT-Tehnika“ (limited liability company for aircraft maintenance and repair) to the Republic of Serbia.

The Airport “Nikola Tesla” is not in the privatization process.

Water transport

Water transport of the Republic of Serbia comprises: navigable waterways, ports and the fleet. Navigable waterways are developed, maintained and marked pursuant to the countries' obligations to provide, in their respective sections of the international navigable waterway of the Danube and the Sava, the conditions for safe navigation of vessels under all flags. The sites crucial for navigation are under rehabilitation. Works are planned to dredge certain sections of the Danube and to pull out the sunken

fleets near Prahovo. Last year, the new marking was started of the navigable course of the Sava river. This will be continued also in the coming period until safe navigation is restored. In accordance with the EU standards, the RIS is being introduced as the system that allows monitoring of all vessels on our part of the Danube.

Enterprises providing port services and shipping enterprises have mostly been fully privatized (except for few enterprises that are yet to be privatized). All these enterprises operate in market conditions, and the state provides equal operational conditions for all entities, whereby free competition of business operators has been fully achieved.

Investments in water transport of the Republic of Serbia also have an important environmental protection aspect. Namely, fuel consumption for the same quantity of transported good is the lowest in water transport. The EU tendency is transfer in the forthcoming period a part of goods from road transport to water transport, which will have considerable impacts on environmental protection in Europe and Serbia.

Energy

LEGISLATIVE AND REGULATORY FRAMEWORK

Main characteristic of the new Law on power supply is abolishment of monopoly and introduction of competition in all power supply activities where it is possible, as well as creation of framework for regulation and free access to energy networks, and natural monopolies (transfer, transport and energy distribution).

The goals of reform are increasing of overall sector efficiency, modernization, new job vacancies, introducing competition and providing harmonization with relevant EU legislature provisions, increasing of safety and quality of energy supply.

Independent regulatory body was formed, i.e The Agency for energetic(AEPC) , with a view of making proclaimed goals achievable and sustainable, i.e. so as to establish market mechanism and competition in energy supply, and in order to attract necessary foreign investments in energy sector of Serbia. The Law assigned a wide range of duties to AEPS in terms of approving market and technical rules, determining methodologies for price and tariffs nomination (for calculation of electricity and natural gas for tariff users, to access to transferable, transport and distributive network), issuing of licenses, data collecting and disputes resolving.

When the Agreement on Energy Community foundation (2006) came into effect, considerable duties were imposed on AEPS in accordance with legal frame of the EU as well as participation in institutions of the Energy Community.

STRATEGIC FRAMEWORK

Strategy for energy development until 2015 and development of Serbia are the documents serving as a record of overall development of energetic with special emphasis on natural gas as an energy substance for the future.

Strategy for energy development was adopted in National Assembly in 2005. The strategy defines long-term goals of development and its priorities, and it is to be achieved by Strategy implementation programs passed for 2007-2012. National action plan for gasification of Serbia (2005) stipulates extensive gasification of Serbia, transformed into National Gasification Plan..

Energetic strategy points out serious lack of electricity from 2012, due to intensive rise of electricity consumption in households and renovated industrial plants, and also due to development of tertiary and quarterly economy sector. The lack might be removed by construction of the new thermo electric plant with power of 750 MW, and by construction of capacities of similar power (700-800 MW) which might replace technologically economically outdated plants. Both capacities might use domestic lignite.

On the basis of overall demands for electric power, and there is possibility that new thermo-energetic plant enters in motion with gas technology of 200-250 , even more MW, in case of accelerated growth of GDP. Up to now, production and consumption of the electric power in Serbia is balanced.

As per the estimates of primary consumption of electric power, in accordance with the existing structure of electric power sources, the current domination of coal (over 51 %, in 2002.), will remain at the level of 50 % in 2015, although setting in motion of new thermoelectric plant on lignite.

In the primary consumption of the electric power, percentage of liquid oil derivatives will decrease from 28% to 25 % in 2015, while the percentage of gas will increase from 14% to 18%. Country will depend on imports in the amount of 37 %, up to 2009, while after the placement in motion of the new thermoelectric plant, it will decrease for over 2 %; subsequently (without energy sources based on domestic primary energy), it will increase up to the level of 38.4 %, which is 1 % less dependence than in 1990. Though, uncertainty related to domestic production of oil and natural gas, as well as the possibility of construction of large electric power facilities based on natural gas, can increase dependence on imports up to the level above 40 %.

Strategic directions of the country in the sector of renewable sources of energy (RES) stipulate that the country will not invest in RES, since it implies large number of smaller investments. The task of the country is to create attractive conditions, i.e. investment frame which will stimulate private investors. Investment potentials in the sector of RES will be defined after carrying out detailed feasibility studies, that are underway and that will show what investments are necessary for exploitation of the existing potentials of the RES in Serbia.

RESTRUCTURING OF SECTORIAL COMPANIES

In the electric power sector, the Government has founded two completely separate companies: Public Company for production, distribution and commercialisation of the electric power, PC „Elektroprivreda Srbije” (PC EPS) and company for transfer and management of transfer system, PC „Elektromreza Srbije” (PC EMS), which initiated with their work on 1st July 2005. All activities related to separation of companies not dealing with electric power, which were incorporated within the PC EPS and PC EMS - 20 companies in total were separated. Number of employees decreased from 60.000 in 2001 to 35.900, where more of 5.000 employees are from Kosovo and Metohia.

Both companies are 100% state-owned. The Government also carried out separation of assets between PC EMS from those of the PC EPS.

PC EPS is organised as vertically integrated company – holding, which is 100% owned by the Republic of Serbia Републике, and thus is 100% owner of daughter companies – subsidiary companies. Daughter companies are independent legal entities with separate management and separate account, functionally separated and in compliance with the acquis.

PC EPS as the parent company purchase electric power from production companies and issues the invoices to electric power distribution companies. If it cannot provide from its own sources sufficient supplies for meeting demands of fixed-rate clients, EPS is obliged by the Law to provide the missing quantities to the market.

All subsidiary companies are legally liable to provide internal accounting separation of all business activities, supervised by the Agency for Energy.

The estimates of necessary investments in the sector of electric power up to 2015 are as follows: hydroelectric power plant – maintenance of the current production and increase of production– EUR 277 million, new potential projects with hydroelectric power plant XE approximately EUR 1 billion, investments in thermoelectric plants – maintenance of the current production and increase of production– around EUR 1,3 billion, investments in coal mines– approximately EUR 1 billion, in distribution network– around EUR 450 millions.

By 2015, about EUR 350 milions will be invested in the development of the transmitting and control system. Strengthening of energetic interconnections is a necessary step in development of the regional energetic co-operation. In that sense, Serbian electricity network very actively participates in the activities for the enhancing of electro-energetic interconnections with surrounding countries.

Petroleum sector has also been reorganized. Three new companies have been formed from the former PC Naftna industrija Srbije – NIS a.d., PC Transnafta and PC Srbija gas. From former PC NIS two oil refineries have been segregated – Fabrika maziva (Fam) Kruševac and Rafinerija nafte „Beograd“.

Within the mining sector, the PC Podzemna eksploatacija uglja (PEU) is in the restructuration process for the privatization.

The position of Serbia allows potential profit from energy transits. Apart from the mentioned investments, important projects in which Serbia actively takes part are the project of main gas line Južni potok, which would provide gas to Serbia and the western part of the continent, and the project of pan-European oil pipeline Constanza-Trieste.

Telecommunication

Sudden and accelerated development of information and communication technologies, establishment of global networks and introduction of a wide range of new telecommunications and postal services has contributed to growing importance of telecommunications as an indispensable supporting factor in rendering other services in the economy, as well as for building the infrastructure necessary for information society development. In view of this fact and of the very nature of telecommunications, which know no frontiers, the development of these areas in the Republic of Serbia constitutes an important factor in the EU accession process.

The Government of the Republic of Serbia has adopted four strategic documents in the fields of telecommunications, information society and post, namely: *Strategy for the Development of Telecommunications in the Republic of Serbia 2006-2010*, *Strategy of Broadcasting Development in the Republic of Serbia until 2013*, *National Strategy for an Information Society in Serbia* and *Postal Service Development Strategy of the Republic of Serbia*. These strategies encompass legal, institutional, economic and technical aspects of development in the fields of telecommunications, information society and post and provide the basis for accelerated development of telecommunications and postal services market and development of telecommunication, information and postal infrastructure.

The *Strategy for the Development of Telecommunications in the Republic of Serbia 2006-2010* (*Official Gazette RS* no. 99/2006) envisages strategic development objectives in the field of telecommunications, namely:

- liberalisation in the telecommunications sector;
- stimulating the development and strengthening the institutional framework for market liberalisation.

The field of telecommunications is regulated by the Law on Telecommunications (*Official Gazette RS* no. 44/03 and 36/06), which is based on the European Union (EU) regulatory framework from 1998. The principles upon which the regulation of relations in the field of telecommunications rests include, *inter alia*, stimulation of competition, cost-effectiveness and efficiency in performing activities in the field of telecommunications, protection of the users' interests, ensuring maximum telecommunication service quality, rational and cost-effective utilisation of the radio frequency spectrum, provision of interconnection under equal terms and compliance with international norms and standards.

The information and telecommunication (ICT) market in the Republic of Serbia continued a strong growth trend in 2007, reaching the total value of almost € 460 million and recording a 37% growth rate in relation to the previous year. ICT equipment still dominates, with a share of nearly 69% of the total market, while ICT services account for slightly more than 20% and packet software – for the remaining 11% of the market.

As regards the physical capital in the telecommunications sector, the company *Telekom Srbija ad* is the only public fixed telecommunications services operator. *Telekom Srbija ad* is owned by two shareholders: *Public Enterprise for Postal, Telegraph and Telephone Services Srbija ad* (80%) and *OTE Greece* (20%).

The current state of affairs in the field of telecommunications and information society in the Republic of Serbia is as follows:

- There is only one operator in the public fixed telecommunications network – *Telekom Srbija*. The network itself is characterised by an overly high number of shared lines, insufficient penetration low share of digitisation and low number of broadband connections (Internet-cable and ADSL). As regards end-user Internet access in the Republic of Serbia, dial-up access accounts for the highest proportion. This type of access is mainly realised through the SMIN (Serbian Multiservice Internet Network) network of *Telekom Srbija* and is used by all ISPs in the Republic of Serbia. *Telekom Srbija* has provided the required network capacities to enable broadband Internet access through ADSL modems installed at end user's location.
- The public mobile telecommunications network market has been liberalised and there are three public telecommunications operators to which licences have been issued for public mobile telecommunications network and public mobile telecommunication network services in accordance with GSM/GSM1800 and UMTS/IMT-2000 standards for the territory of the Republic of Serbia, namely *Telecommunications Company Telekom Srbija ad*, *Telenor doo* and *VIP mobile doo*. The estimated number of users in this segment is five million, with a growth trend.
- The cable distribution network market has also been liberalised and involves several operators that provide services. Cable network development is very dynamic and the current number of registered users is about half a million.
- As regards the broadcasting sector, Public Enterprise “Serbian Broadcasting Corporation” has been transformed into the Serbian Broadcasting Service and Vojvodina Broadcasting Service; these now perform the public broadcasting service activities.
- The development in the area of information society is focused on Lisbon Strategy objectives, namely “preparing the transition to a knowledge-based economy and society by better policies for the information society and R&D”. The greatest incentive is given to implementation and development of e-

government, since public administration reform and modernisation based on widespread implementation of information and communication technologies (ICT) represents a key element of overall transition of the Republic of Serbia towards a modern information society. Establishment of the regulatory environment for the implementation and development of e-government is in progress and comprises legislative framework for e-signature, e-commerce, cybercrime, Law on Personal Data Protection, Law on Electronic Government is under preparation, etc.

In the field of information society, a step forward has been made by adopting the bylaws for implementation of the Law on Electronic Signature, namely: Rules on Specific Conditions for Issuing Qualified Electronic Certificates (*Official Gazette RS* no. 26/2008); Rules on the Technical and Technological Procedures for the Creation of a Qualified Electronic Signature and the Criteria to be Met by Devices for the Creation of a Qualified Electronic Signature (*Official Gazette RS* no. 26/2008); Rules on the Registry of Certification Bodies Issuing Qualified Electronic Certificates in the Republic of Serbia (*Official Gazette RS* no. 26/2008). These Rules are aligned with the latest EU standards, recommendations and procedures in the field.

In the postal sector, efforts are being made towards improvement of the regulatory framework with the objective of providing efficient postal services. Important documents that lay down the principal choices and define the direction of development of the postal sector in the Republic of Serbia have been adopted; these include the Law on Ratification of the World Post Federation Acts from the 23rd Convention in Bucharest and the Bill on Amendments to the Law on Postal Services, harmonised with EU directives and adopted by the Government of the Republic of Serbia. The Republic Postal Services Agency has been established, under Art. 65 of the Law on Postal Services, as an independent regulatory body; affairs pertaining to adoption of bylaws have been delegated to it, but it has not commenced to operate as the Agency Council has not been elected.

Ecological aspect of investments

In order to prevent negative environmental impact of investment, assessment procedures on its effect on environment are being implemented as well as strategic assessment of the effects of certain projects on the environment and integrated prevention and control of the environmental pollution.

Assessment of the effects on the environment

The Law on Environmental Impact Assessment from 2004 is in compliance with the matching EU Directives 97/11/EC and 85/337/EC. This Law regulates assessment procedures of the effects of projects, which could have negative impact on the environment, content of the study on assessment of the effects on the environment, participation of stakeholders, transboundary informing on projects which could significantly impact the environment of another state, supervision and other issues of importance for assessment of effects on the environment.

Strategic assessment of effects on the environment

Strategic assessment of effects on the environment (SEA) has been introduced in the legal system of the Republic of Serbia by passing of the Law on Strategic Environmental Impact Assessment (*Official Gazette of the Republic of Serbia*, No. 135/04) in December 2004. The Law on Strategic Environmental Impact Assessment is in compliance with the Directive 2001/42/EC.

The Law on Strategic Environmental Impact Assessment regulates the conditions, methods and procedures to which the assessment of impact of certain plans and programmes on the environment shall be carried out in order to provide for the environmental protection and improvement of sustainable development through integration of basic principles of environmental protection into the procedure of preparation and adoption of plans and programmes.

The Law stipulates that strategic assessment shall be carried out for all plans, programmes and sectoral master-plans in the fields of spatial and town planning or land use planning, planning in the fields of agriculture, forestry, fishing industry, hunting, energy, industry, transport, waste management, water management, telecommunications, tourism, preservation of natural habitats and wildlife (flora and fauna), that set the frameworks for granting the approval for future development projects defined by the environmental impact assessment related legislations.

Integrated prevention and control of environmental pollution

The Law on Integrated Prevention and Control of Environmental Pollution was passed in December 2004, and the Department was established around the middle of 2007 with the establishment of the Ministry of Environmental Protection. This Law transposes into our legislation EU Directive 2008/1/EC (then 96/61/EC). So far, more exactly during 2005 and 2006, six by-laws were passed, necessary for implementation of this Law. Adoption of Draft regulation on the programme of harmonization of certain industries with provisions of the Law on Integrated Prevention and Control of Environmental Pollution is planned till the end of 2008. This regulation relates to current industrial plants and facilities, which are obliged to obtain the IPPC license in conformity with the law; according to preliminary list there are around 226 of them. In relation to this, first applications for integrated licenses are expected already at the beginning of the next year. New industrial plants and facilities subject to provisions of this law must obtain the license before they are put into operation. In order to adapt their operating to provisions of this law, current industrial plants and facilities must undergo minor or major reconstruction. Competence, according to this law, has been divided according to the Law on Planning and Construction, depending on who issues building licenses and licenses for putting into operation. Thus, competences regarding the implementation of this law are divided between the Ministry of Environmental Protection, the Province Secretariat of Environmental Protection and the local self-governing bodies competent for environmental affairs.

In the next period it is necessary to build capacities of the employees in the competent bodies, to provide their constant training as well as training of the employees in the industrial plants and facilities, who have to perform jobs related to harmonization of operating of the respective industrial plants and facilities with terms and conditions stipulated by the mentioned law, i.e. in compliance with the best accessible techniques described in the reference documents of the European Union, the so called BREF documents.

2.2.3. The level and pace of trade integration with the EU

Trade: Serbia - World

In comparison with the previous year, in 2007 export of goods and services rose by 34.6%, while import of goods and services rose by 36.9%. The share of export of goods and services in the GDP was increased from 27.1% in 2006 to 28.5% in 2007, while the share of import of goods and services in the GDP was increased from 47% in 2006 to 49.8% in 2007.

Trade in goods: Serbia - World
In the period 2000 - 2008/3 months, in EUR million

Year	Total exchange	Export	Export index	Import	Import index	Balance	Coverage of imports by exports %
2000	5,286	1,680	132.2	3,606	133.9	-1,926	46.59

2001	6,654	1,896	112.9	4,758	131.9	-2,862	39.85
2002	8,111	2,192	115.6	5,919	124.4	-3,727	37.04
2003	9,032	2,442	111.4	6,589	111.3	-4,147	37.07
2004	11,455	2,832	115.9	8,623	130.9	-5,792	32.84
2005	12,048	3,608	127.4	8,439	97.9	-4,831	42.76
2006	15,565	5,102	141.4	10,463	124	-5,361	48.76
2007	19,791	6,432	126.1	13,359	127.7	-6,927	48.15
2008/3m	5,305	1,676	120.5	3,629	121.8	-1,953	46.18

Source: National Statistics Office

In 2007 a growing trend in trade in commodities was recorded. In comparison with 2006 the import and export rose by 28% and 26%, respectively. Coverage of the imports by the exports amounted to 48.15%.

By the economic groups of countries in 2007 most of Serbia's trade is conducted with: EU 27 – 55%, followed by CEEC (Central and Eastern European Countries) - 16% and CIS (Commonwealth of Independent States) - 14%.

Trade with EU

Within the Stabilization and Association Process (SAP) in November 2000 the European Union approved the preferential treatment to the then FR Yugoslavia – autonomous trade measures for export of products on the market of EU countries with the validity term of 5 years. Upon expiry thereof, in 2005, their validity was extended to 2010.

The Stabilization and Association Agreement (SAA) is a long-term institutional framework for development of trade and business links between the economies of Serbia and EU. One of the main objectives of SAA is to establish the free trade area between the Republic of Serbia and European Union, which will be accomplished within the period of 5 years after the enforcement of the Interim Agreement. Complete liberalization will be accomplished in the area of trade in industrial products, while in the area of agricultural produce the Republic of Serbia will preserve a certain level of import protection even after the expiry of the transition period.

Trade in commodities between Serbia and EU In the period 2000 - 2008/3 months in EUR million

Year	Export	Export index	Import	Import index	Balance	Coverage of imports by exports %
2000	862	144	1,717	125	-855	50.2
2001	1,037	120	2,385	139	-1,348	43.48
2002	1,214	117	3,274	137	-2,059	37.08
2003	1,204	99	3,611	110	-2,408	33.34
2004	1,457	121	4,677	130	-3,221	31.15
2005	1,939	135	4,233	91	-2,294	46.44
2006	2,681	138	5,078	120	-2,397	52.80
2007	3,603	122.9	7,356	129.1	-3,753	48.98

2008/3m	940	111.6	1,916	122.2	-976	49.06
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Source: National Statistics Office

European Union is the most important foreign trade partner of the Republic of Serbia. The share of EU in the total trade exchange of the country in the period 2000 – 2007 ranged between 48.8% and 55.4%.

In 2000 commodity exchange of the Republic of Serbia with EU member states amounted to EUR 2,579 million, rising to EUR 10,959 million in 2007. In the described period, the average annual commodity exchange rate rose by 19.8%.

In the period 2000 – 2007 export of goods into EU was increased from EUR 862 million to EUR 3,603 million (56% of the total export of the Republic of Serbia in 2007). In the stated period, the average annual export rate rose by 19.6%. In the period 2000–2007 import of goods from EU was increased from EUR 1,717 million to EUR 7,356 million (55% of the total import of the Republic of Serbia in 2007). In the stated period, the average annual import rate rose by 20%.

The trade deficit with EU was increased from EUR 855 million in 2000 to EUR 3,753 million in 2007. In 2007 the Republic of Serbia had the trade deficit in commodity exchange with all EU member states except with Cyprus, Lithuania, Latvia and Portugal with which the low level of the overall exchange was achieved, as well. In 2007 the coverage of imports by exports in exchange with EU amounted to 49%.

When the total export from the Republic of Serbia into the EU is focused, by the countries, in 2007 most exports were destined to Italy (22.2%), followed by Germany, Slovenia and Austria; most imports originated from Germany (21.4%), and other countries such as Italy, Hungary and Slovenia.

In 2007 the Republic of Serbia exported mostly the following products to the EU: sugar, tires, heat-rolled tapes, machine parts, footwear and parts of footwear, cathodes, corn, white tin plates, Rolend raspberry, polyethylene, etc. Rise of export of finished textile products was also recorded, as a result of the concluded Agreement on Textiles. In 2007, most of the imports of the Republic of Serbia from the EU accounted for new passenger cars, diesel fuel, drugs, cathodes, electric energy, cleaning supplies, etc.

In 2007 the steepest rise in comparison with previous years was recorded in trade in textile products. The total commodity exchange reached USD 929 million, which is 40% more than in 2006. Export of textile products from Serbia to the EU also rose in the described period, 2005 – 2007, when the maximum amount of USD 432 million was reached, marking the 40.2% rise in comparison with 2006. Import of textile products from the EU also has a rising trend, reaching USD 497 million in 2007 (40% rise in comparison with 2006). In 2007, coverage of imports by the exports reached 87%.

One of the greatest challenges facing the macroeconomic policies in Serbia, like in most other countries in transition, is the major foreign trade deficit. The cause of the imbalance lies in the structure of the Serbian economy as well as in the lack of clearly defined foreign trade strategy. Trade liberalization initiated in 2001 has introduced strong competition on the domestic market and one may see that the domestic economy is more focused on the attempts to protect oneself from such competition than on conquering of the new markets.

In order to overcome this problem, the Ministry of Economy and Regional Development in collaboration with the Serbian Investment and Export Promotion Agency (SIEPA) with the vice-prime minister's office drafted the „**Export Promotion Strategy**“ that the Government adopted in May 2008. The purpose of the strategy is to increase the volume, quality and diversity of export products, as well as to provide institutional support to Serbian exporters in placement of their products, identification of pertinent markets and their sustainability on them. The strategy plans to conquer new markets and increase the number of companies with the value of exported good higher than ten million EUR from 66 to 120 by the year 2011. The markets for exports include, in addition to the EU member states, all countries with which the CEFTA agreement was signed, as well as Russia, Ukraine, Belarus and Kazakhstan, as well as countries in the Near East and North Africa. It is planned that USD 50 million of the budgetary resources be used for capital stock increase of the agencies for export financing and release their loans from the mandatory reserve. The Export Promotion Strategy includes various measures such as strengthening of economic diplomacy, improvement of customs and tax policies, relief of administrative obstacles and promotion of product standardization. In 2007 export from Serbian companies was 11 times lower than in Slovenia, and 2.3 times lower than in Croatia.

2.2.4. Restructuring of companies and the importance of small and medium enterprises

Restructuring of companies

Within the privatization of the overall social capital, it is planned to finish off restructuring of major socially-owned companies in order to privatize them through reorganization and status changes (decomposition of bulky, large afunctional systems, separation of the core activity from the auxiliary ones), together with downsizing of staff and liabilities of these companies that exceed the value of their assets. Preparations for privatization of these companies are accompanied with comprehensive social programs for workers that are made redundant. Programs of restructuring of large companies will be accompanied with programs for development of small and medium enterprises, expecting them to absorb the redundant workforce from the large companies.

The restructuring and privatization processes of large socially-owned companies will be accelerated as the prerequisite for development of a competitive entrepreneurial sector. The Law on Amendments to the Privatization Law («Official Gazette RS» vol. 123/07) and the Bankruptcy Proceedings Law («Official Gazette RS» vol. 84/04 and 85/05) have enabled faster and more effective restructuring process in major socially-owned companies from the list of enterprises with negative assets. This has been greatly supported by the statutory option that state creditors write their acknowledged claims off conditionally as of 31 December 2004 in respect to the subjects of privatization, and collect their dues from the privatization revenue. So far, this methodology has been applied for restructuring and sale of 35 companies from the list of 70 large socially-owned companies where restructuring was due. Successful restructuring and privatization of a certain number of the remaining large state-owned companies are expected. Preparations of these companies for restructuring will be accompanied with implementation of social programs for the staff made redundant.

Referring to the influence of bankruptcy proceedings on promotion and more effective implementation of company restructuring processes, it may be confirmed that accurate application of the Law on Bankruptcy Proceedings („Official Gazette RS”, vol. 84/04 and 85/05) by all stakeholders (creditors, Court, and bankruptcy administrators) makes it possible for sale of the bankrupt debtor (privatization) to be accomplished within the planned term.

In respect to the improvement of the bankruptcy proceedings, it may be suggested that the legislative framework, the backbone of which is the new Law on Bankruptcy Proceedings, provides the solid foundation for promotion and development of the profession of bankruptcy administrators, but in

spite of all problems that the bankruptcy administrators encounter in their everyday practice, it should be pointed out that three years after the new piece of legislation has come into force there are still problems “of systemic nature” that have been identified and highlighted by the Privatization Agency, the overcoming of which would enable higher quality of implementation of this complex judicial procedure.

Generally speaking, these problems may be boiled down to the following:

1. Absence of uniform case law in courts that implement the proceedings;
2. Absence of adequate cooperation with the law enforcement bodies on the territory of Serbia,
3. Delays in operations of commercial courts and general competence courts,
4. Insufficient information of the general public on the reasons, purpose and objectives of bankruptcy proceedings,
5. Lack of quality staff on the territory of the Republic of Serbia who are properly licensed, their status, i.e. recognition as the profession and professional responsibility and their willingness to fulfill their professional duties pursuant to the Law and statutory norms, etc.
6. Level of involvement and participation of creditors (mostly state ones) in the process of implementation of bankruptcy proceedings,
7. Lack of harmonization of some legal instruments with the Law on Bankruptcy Proceedings.

The Government will continue to pursue activities on restructuring of companies in the military industry and military profit institutions in order to privatize parts of industry with civilian manufacturing plants and finally clarify property relations, implement the social program where and if needed, accelerate sale of assets that are not needed for the core activity, and provide necessary resources for development of the defense industry.

Further, the priority of the Government in the oncoming mid-term period will be focused on restructuring and privatization of state-owned companies, as well as liberalization of infrastructural activities. This is one of the greatest reform challenges in the oncoming period, which, *inter alia*, results from the fact that these companies have 30% of the committed resources and employ 16% of the overall workforce in the Serbian economy.

Since different proposals have been put forward in respect to the schedule and extent of privatization of public enterprises on the level of the Republic, the Government will establish restructuring and privatization strategy for most of them, in order to sell the capital of these enterprises gradually, promote corporate governance and increase their value accordingly, as well as their investment beyond the Serbian borders to make it possible to position some of them as the regional leaders.

Progress in restructuring of public enterprises in the preceding period is reflected in improvement of their financial performances, separation of auxiliary activities and downsizing, harmonization of the price of services with the economic principles, establishment of special companies in the area of energy and oil industry, settlement of old debts, updating of the production processes, etc.

Restructuring and privatization (partial or complete) of the national and local public enterprises imply removal of the systemic hurdles for the privatization thereof. In the light of the importance, capital, number of staff and external effects of public enterprises, it is necessary to define the model for their privatization that cannot be the same for all public enterprises. Privatization of public enterprises on the national and local levels requires pertinent amendments to the Law on Assets Owned by the Republic of Serbia, Law on Public Enterprises and Activities in the General Interest, Law on

Infrastructural Activities and Privatization Law. Privatization of public enterprises will be facilitated by annulment of the legislative provision pursuant to which the Republic of Serbia is not only the owner of the capital, but also of the assets of public enterprises.

When companies under restructuring that have the regional importance are concerned, the priority aim is to establish the number of staff that will remain employed after the conducted restructuring and privatization in order to perceive the need for development policy measures to be applied in the concrete area to create new jobs.

If it is further necessitated that the privatized enterprises reach the targets in the area of improved corporate governance that are multiple: from the set goals as the prerequisites for good corporate governance through the “operational” objectives that should enable achievement of the final aim of good corporate governance in privatized enterprises.

Good corporate governance implies completion of privatization pursuant to the current legislation that results in majority ownership in enterprises and consolidation of assets in enterprises privatized pursuant to the previous privatization laws.

The operational objective, the achievement of which indicates good corporate governance and generates efficiency, confirms achievement of such constellation in the privatized enterprises themselves as well as in their environment where both owners and management aim towards maximum increase of the value of the company equity, in full compliance with the contractual and other obligations to third parties. Maximum increase of the company value requires its comprehensive post-privatization restructuring – by the resources, by the program and production and by the finances – in order to enable efficient operations and achievement of the maximum profit.

Once the objective is reached, i.e. good corporate governance established – maximizing the value of company capital (shares or stakes) – in all or most of the companies, the national economy will generate higher national product, pertinent to the committed resources, i.e. citizens will enjoy prosperity, which is the final aim of good corporate governance.

Increased competitiveness of the corporate sector, i.e. simplification of procedures relating to company registration, facilitation of everyday operations and investment require:

- further improvement and shortening of administrative procedures for registration of establishments, towards „one stop shop”;
- simplification of procedures and removal of administrative obstacles for all necessary licenses, permits, certificates and the like;
- improvement of employment policies;
- resolution of the issues of legal regulations relating to ownership of land;
- restitution of property confiscated after the Second World War;
- simplification of procedures and shortening of time needed to obtain building permits
- completion of cadastre records of real estate in the Republic of Serbia.

Small and medium enterprises

With the privatization process, the process of establishment and growth of the sector of small and medium enterprises evolved, as well. This process required enactment of strategic documents by the Government to enable monitoring of the sector, resolve generated problems and support the sector

through a certain institutional infrastructure. Based on the strategy for development of small and medium enterprises in the Republic of Serbia for 2003 - 2007, in late September 2005 the Government passed a plan for promotion of development of small and medium enterprises and entrepreneurship in the period 2005 - 2007.

In June 2003 Serbia signed to implementation of the European Charter on Small Enterprises. Pursuant to the Report on Implementation of the European Charter on Small Enterprises for the Western Balkans in 2006, it was concluded that the Republic of Serbia made progress and reached the overall level between 2 and 3.

Progress in policy drafting to support development of SMEs has been particularly recognized. However, implementation of the policies is still fairly limited. Also, substantial improvement has been achieved in the following areas: registration of business establishments in a rapid and affordable procedure, taxation and funding, as well as better legal regulations.

Poor results have been achieved in implementation of the following principles: education for entrepreneurship, quality assurance and representation of SME interests.

In order to implement the Principles of European Charter (PEC) more successfully, the Council for Small and Medium Enterprises has been set up. It is composed of representatives of pertinent line ministries, National Agency for Development of SMEs and representatives of the SME sector. The National Agency for Development of SMEs has been established as the main instrument of SME policy implementation. Subsequently, a network of 16 regional agencies/centers was also established.

The Business Registers Agency (BRA) was established in order to reduce administrative hurdles for the launch of business, where from mid May of the current year an electronic filing of registration application of entrepreneurs has been introduced. The aim has been successfully achieved through a simple and rapid registration procedure, reduced cost and shortened terms for establishment of businesses. Besides, with business registers as publicly accessible databases, conditions are provided for increased investment into economy – through credit models, such as financial leasing and lien on chattels and rights. Moreover, banks have much higher legal certainty.

In parallel with the strengthening of SME sector, the need to provide institutional financial support to the SME sector has also been recognized. The Government has set up the Serbian Investment and Export Promotion Agency (SIEPA), Agency for Export Financing and Insurance (AOFI), Guarantee Fund of the Republic of Serbia and Serbian Export Credit and Insurance Agency (SMECA). Besides, other institutions also provide financial support to the development of SME sector, such as the Development Fund of the Republic of Serbia, Development Fund of the Province of Vojvodina, Guarantee Fund of the Province of Vojvodina, and Fund for Micro Development that pursue micro credits through guarantee schemes.

In the course of 2007 more intensive activities on establishment of business incubators and clusters were undertaken, and initial steps in establishment of the “Euro-info-innovation relay center of Serbia” and business technological incubators made.

2.2.5. Impact of the Government policy and legislation on competition

Trade policy

The Law on Foreign Trade Operations was enacted in 2005 together with thirteen by-laws that make its implementation possible, within a series of legislative activities that the Republic of Serbia has undertaken in order to establish the legal and institutional framework for harmonization of foreign trade

regulations with the rules of the World Trade Organization and European Union. This Law enables consistent application of the WTO rules and principles, as well as of all other multilateral agreements.

The previous foreign trade regulations were restrictive with explicitly listed forms of export and import, rigid and administratively burdened and lengthy, time consuming procedure that had to be strictly complied with, which prevented development of foreign economic relations under contemporary conditions and hindered accession to the WTO and EU.

The Law on Foreign Trade Operations («Official Gazette RS» 101/05) has thoroughly changed the previous legislation and established the foreign trade regime in concert with the requirements of modern economy and needs of Serbia.

The legal and institutional framework of foreign trade has been substantially simplified and it is far more comprehensive and efficient, with modern provisions the wording of which corresponds to the wording of the WTO and contemporary trading practice. At the same time, the spirit and tradition of the Serbian legal system and language have been preserved.

Through the use of basic principles of multilateral WTO trading system (facilitation of trade, non-discrimination and transparency), the conditions have been set for unhindered flow of goods and services, growth of trade and unhindered foreign trade operations, as well as measures for protection of the payment balance and protection in cases of excessive import and unfair competition (anti-dumping and countervailing measures). Thus, balance has been provided between the needs to implement the principle of free trade and ensure the highest possible level of protection of domestic economy and its most vulnerable sectors.

Basic agreements from the WTO system (GATT, GATS, Import Licensing Procedures Agreement, Agreement on Subsidies and Countervailing Measures, Agreement on Implementation of Article VI of GATT), as well as EU rules and experiences of comparative law have been used in drafting of this Law.

The Law has enabled:

1. free foreign trade,
2. equality of all participants in foreign trade on the domestic market and equal position of domestic businessmen at the global market by guaranteed freedom and equality;
3. protection of domestic market using the protective measures which have not been present before or have not been sufficiently elaborated. The Law has abolished all measures of protection of the domestic market by limitations of the import and export through licenses and contingents, except the ones stipulated under the Law. The stipulated protective measures, compliant with WTO rules and principles, clearly specify the conditions for the enforcement thereof, as well as the pertinent procedure .
4. stimulation of the emergence of new businesses on the foreign trade market, promoting sound competition at the market;
5. that limitation in foreign trade be reduced to the ones stipulated in compliance with the WTO rules and principles;
6. simplification of conditions and procedures for foreign trade operations, substantially improving foreign trade and equal presence of domestic businesses at the global market;
7. promotion of operation of foreign persons interested in business with domestic economy, pursuant to the modern practice and guaranteed equality for all participants;
8. facilitation of operation of bodies in charge of foreign trade, since issuance of numerous individual instruments had been deregulated;
9. reduction of administrative costs associated with foreign trade. Simplification of procedures and reduction of administrative costs have improved the position of small and medium enterprises that have become more matched to the major participants at the market;

10. accelerated accession to the WTO by adoption of principles of the organization, making it possible for the domestic economy to enjoy the Most Favored Nation treatment with about 150 nations, including the EU;
11. accelerated accession to the EU;
12. improved internal and international credibility of the state as a whole, and accession to international organizations.

In the course of implementation of the Law it has been shown that some aspects of the Law, relating to WTO rules and principles, EU regulations and domestic legislation, have remained inconclusive. Namely, in the course of implementation of the Law, but also during the negotiation process for accession to WTO, it has been noted that the Law needs amending.

In order to remove the obstacles for rapid accession to WTO, the Government of the Republic of Serbia has adopted two plans:

1. The plan of legislative activities for removal of obstacles in the process of accession of the Republic of Serbia to the World Trade Organization, and
2. Action Plan for amendment of regulation in the area of import and export licenses and all other administrative procedures preceding the actual import, export or transit of goods in order to harmonize them with the WTO rules and principles.

These plans, that cover all necessary changes of regulation for harmonization with WTO rules and principles, as well as adjustment to the European Union regulations from the point of view of intended membership of the Republic of Serbia, imply amendments to the Law on Foreign Trade Operations.

Quantity restrictions

The Law on Foreign Trade Operations stipulates that the restrictions have to be in compliance with the WTO rules and principles, as well as with EU regulations.

The Law also stipulates that quantity restrictions may be introduced only as a measure of protection from excessive import or payment imbalance, while the quantity restrictions for exports may be introduced in case of critical shortages of important commodities or needs to rectify consequences of such shortages, or for protection of non-renewable natural resources. The law also regulates the procedure for quota distribution.

Licenses

The Law on Foreign Trade Operations defines a license as a requirement for import, export or transit of some goods. The requirements for introduction of licensing have been harmonized with the WTO rules and principles (Articles XX and XXI GATT1994). The licenses may be introduced pursuant to adopted international agreements.

In the preceding period, the number of goods for which the import license is required has been reduced from 604 (in 2004) to 193 (in 2007). The list of goods for which the licenses are required are incorporated into the Decision on Specification of Commodities for Import, Export or Transit of Which the Requirements Are Set („Official Gazette RS“ vol. 126/07).

Decision on Specification of Commodities for Import, Export or Transit of which the Requirements Are Set

Decision on Specification of Commodities for Import, Export or Transit of which the Requirements Are Set («Official Gazette RS» 126/07) was adopted in December 2007 in order to

harmonize the nomenclature of the current Decision with the new nomenclature compliant with the Harmonized Commodity Description and Coding System 2007 (HS 2007) and EU 2008 Combined Nomenclature (CN 2008). Besides, the new Decision has been amended to achieve harmonization with WTO principles.

The Action Plan for amendment of regulation in the area of the system of import and export licenses and all other administrative procedures preceding such export, import or transit of commodities in order to harmonize them with WTO rules and principles that the Government of the Republic of Serbia adopted in October 2007 specifies the timetable for amendment of the current regulations, i.e. adoption of new regulations to achieve full harmonization with WTO principles in the area of licensing. This plan also stipulates adoption of over fifty different instruments including the amendment to the Law on Foreign Trade Operations and adoption of Decree on Licensing Procedures.

Competitiveness promotion policies

Increased productivity and competitiveness of Serbian economy is essentially the policy of the state bodies aimed at providing of beneficial and stable business climate targeting: increased competitiveness on the company level, promotion of export and trade policies, establishment of strong links with international business community, support of clusters, loans to companies, attraction of foreign investments, introduction of innovations, investment into human resources development, education of the general public on the importance of competitiveness. In 2008 the Government established the National Competitiveness Council in order to improve Serbian competitiveness on the international market, so that Serbia may become the economic center of South East Europe. The Council will propose measures, establish priorities and coordinate activities of state bodies along these lines. This body is entrusted with a task to promote competitiveness, combining and coordinating activities of other bodies, in a systematic and consistent manner.

Participation of Serbia in various international programs for improvement of competitiveness

In order to promote competitiveness, the Ministry of Economy and Regional Development participates in negotiations related to the membership of Serbia in the Competitiveness and Innovation framework Program (CIP), which is aimed at stimulation of competitiveness of European companies, primarily the SMEs. The program supports innovative activities, including eco-innovations, better access to capital and services for business support, extensive use of ICT and assistance in development of information society. CIP has three pillars – three operational programs, Entrepreneurship and Innovation Programme (EIP), ICT Policy Support Programme (ICT PSP) and Intelligent Energy-Europe (IEE). Participation in this program will enable access to an EUR 3.6 billion fund by 2013, out of which most (60%) is earmarked for the component relating to entrepreneurship and innovation. Once the memorandum on Serbian membership in CIP is concluded, implementation of the following activities is planned: promotion of opportunities associated with CIP, establishment of a database and information to the target groups on the possibilities for participation and participation of companies and institutions from the Republic of Serbia in the CIP program. Also, the Ministry of Economy and Regional Development promotes links among companies, think-tanks and other institutions and organization following the cluster principle through implementation of the Cluster Support Program, that supports 16 clusters.

In the last decade, the cluster concept was adopted as one of the basic tool of industrial policy and, in particular, innovation policy. By participation in implementation of the project “Facilitation of

Access of Suppliers of Car Components in Serbia to International Market” implemented since 2005, in collaboration with the Ministry of Economy of the Republic of Slovenia, United Nations Industry Development Organization (UNIDO), the Slovenian and Serbian car clusters will improve the institutional capacities and development of the regional car clusters, improve industrial capacities and development of regional network of car clusters, which will enable easier and faster access of Serbian manufacturers to the international car manufacturing industry. In order to promote uniform regional development that is aimed at further support to development of clusters, business incubators, industrial areas, technological parks, as well as investment into companies for strengthening of innovation, it is necessary to undertake the following measures: identify potentials for cluster development in the regions (branch analysis, mapping/graphic presentation of mutual links of potential cluster members, etc.), establishment of infrastructure to support cluster development through development of cluster strategy, organization of training centers on the regional level, which may be centered around Chamber and Agency; promotion of the cluster concept, regulation of legal issues relating to cluster registration, establishment of international contacts for exchange of experiences; national/regional support to financing of cluster operations through development of pertinent loan policy aimed at cluster development, policy of cluster development in the areas relating to training through adjustment of training and educational programs to the needs of cluster development; promotion of clusters themselves to attract investment through branding of clusters, their products, services, image, commercialization of results through strengthening of the links between companies and research and development institutions for application of research results for commercial purposes, identification and resolution of problems that occur in the operation of clusters through analysis by the sectors; training and continuous education of the workforce, investment into the basic and applied research and development, promotion of cooperation between innovative companies and research institutions, elevation of know-how and increased number of patents through clear implementation of the law and regulations in the area of innovative activities, increased participation in internationalization of IT through cooperation with the EU member states, support to design and development of start-up businesses through innovative projects, support to spin-offs through educational sectors and research, promotion of development of incubators for start-up businesses through pertinent legislation in the area.

Proposal of the project of support to enterprises to invest into innovation strengthening has been prepared; also the Project on Support to Enterprise Competitiveness and Export Promotion is planned to support competitiveness of Serbian SMEs through their integration into the chain of international suppliers and export promotion.

Harmonization of the current strategic documents with the “strategy for promotion of Serbian competitiveness”

The central issue of development of any national economy is to provide conditions for rapid and sustainable growth of productivity by the use of new sources of competitive advantage, such as knowledge and information. The technological processes and innovation are necessary for sustainability of long-term growth of Serbian economy. At the moment, productivity of Serbian economy is ten times lower than in the EU, and investment of companies into research and development are also on a very low level. At this point of time harmonization of concepts that imply different already adopted sectoral strategies endorsed by the Government could be achieved by the compilation of a “summary” strategy for promotion of Serbian competitiveness, which would harmonize the current strategic documents and establish the program of measures to promote competitiveness with the harmonized timetable and implementation control (monitoring of selected quantitative indicators). The following strategic documents in this area comprise:

- a/ Increased productivity and competitiveness of Serbian economy are the main objectives of the industrial policy of the Republic of Serbia, which have been incorporated into the Serbian National Strategy for Accession of Serbia and Montenegro to the European Union.
- b/ In 2006 the Government of the Republic of Serbia adopted the national Economic Development Strategy for the period 2006 through 2012, which is the first development document that consistently and comprehensively defines the main developmental priorities of the country and ways for the realization thereof in the oncoming years. The national strategy is based on the compliance with key economic and European experiences on which the current successful economic and social growths are based. The national strategy of economic development is implemented through the Action Plan that the Government adopted in 2006. The main principles of the Action Plan that incorporate the vertical and horizontal dimensions of the Serbian industrial policies are: harmonization of standards and technical regulations with the EU standards and technical regulations, support to the development of clusters, industrial and technological parks through: definitions of cluster support programs, cluster mapping, and implementation of cluster programs, enactment of the Law on Industrial parks, allocation of the plots for industrial and technological parks, providing funds for infrastructure of the industrial and technological parks.
- c/ The 2007-2010 Program for Development of Business Incubators and Clusters in the Republic of Serbia was adopted by the Council for Small and Medium Enterprises in December 2006. The Program is aimed at: creation of new jobs, establishment of business incubators and parks, promotion of operational links among clusters and innovative activities, establishment of new companies and improved competitiveness through development of entrepreneurship, enterprises and institution for the support of SME sector in the Republic of Serbia. This program provides a framework and common platform for projects and initiatives that are already in progress, as well as those that are still planned for the future. The Program of distribution and use of funds for the Cluster Development Program in 2008 was adopted by the Ministry of Economy and Regional Development. The Program is aimed at: establishment of strategic partnership and links among companies for increased specialization, human resource development and other factors, improved capacities for technological development and innovation through active partnership between companies and R&D institutions. Involvement of R&D institutions in commercially based projects would improve the capacity of companies to operate on the international market together with increased value and volume of their exports; closer links would be established among cluster representatives, leaders of the national policies, educational and research & development institutions.
- d/ Some unofficial drafts of the strategy for promotion of competitiveness are also noteworthy, such as the Strategy for Serbian Competitiveness 2005-2010 written Professor Dr Dragan Đurićin (School of Economics, University of Belgrade). This strategy has covered four pillars of competitiveness: the first relates to macroeconomic governance implying the exchange rate strategy, pricing strategy, commercial strategy and development strategy; the second pillar relates to macroeconomic management including business strategy, corporate governance, sophistication in business administration with the use of modern management methods, training of managers, etc.; the third pillar comprises the regulatory framework and institutions of the system; and the fourth pillar relates to the business ethics and system of values (the Strategy of European orientation of Serbia and Anti-corruption Strategy are planned to be the backbone of this part).

Harmonization of the Serbian technical regulations with European legislation and practice

In order to promote competitiveness of Serbian economy, the Ministry of Economy and Regional Development undertakes measures to provide the regulatory and institutional basis for harmonization of the Serbian technical regulations with European legislation and practice, as well as activities focused on

promotion of operation of the national bodies for standardization, accreditation and metrology. Also, the Ministry of Economy and Regional Development implements various projects in order to promote development of Serbian companies in the area of clusters, increase exports, support integration into the chain of global suppliers (UNIDO Project) and strengthen productivity.

Efforts of the Sector for Promotion of Competitiveness and Quality Infrastructure in providing the economic milieu that will advance integration into the European and global economies will still be focused on harmonization of the national legislation with the European technical regulation, systematic approach to promotion of pertinent quality infrastructure and empowerment of economy for competition at the EU market. Also, efforts will be directed to improved competitiveness and productivity through strengthening of the economic development, increased employment and exports by linking companies into clusters as well as through promotion of innovative activities of Serbian enterprises. This is one of the ways to support uniform regional development in Serbia.

Development of quality infrastructure institutions and harmonization of products of the Serbian economy with the requirements of the European technical regulations that are binding for all participants on the regulated “internal EU market” with very fierce competition will represent the major social and economic reforms. Membership of the national quality infrastructure institutions in pertinent European institutions will enable mutual recognition and acknowledgment of the results of product studies, analyses and certificates that will facilitate placement of goods and services of Serbian businesses at the European Union market, as well as their equal position on that market.

Harmonization with the technical legislation of the European Union and promotion of operation of the quality infrastructure institutions will provide prerequisites for the placement of the Serbian products on the integral EU market, with recognition of documents on harmonization, issued pursuant to the harmonized legislation. The undertaken measures are focused at strengthening of the quality infrastructure institutions in Serbia through benchmarking with institutions and bodies in the European Union.

As the first step in performance of these complex tasks, the Information on the need to enact the Action Plan was prepared, in order to regulate enactment and implementation of technical regulation on the system level. The Government adopted the Information on 4 October 2007. The Action Plan will include the harmonization program for the existing technical regulations, give assignments and set deadlines for drafting of regulation that will transpose European Directives with the new approach, as well as plan for resolution of problems with mandatory standards. In order to develop quality infrastructure, it is necessary to put in place specific measures for promotion of work of competent institutions.

The Serbian Institute for Standardization represents the Republic of Serbia and advocates its interests in international and European organizations for standardization through participation in their managerial and executive bodies, technical committees, subcommittees and other working bodies. This makes it possible for transposition of international and European standards and related documents into the national standardization as the Serbian standards and related documents, availability of collections of international ISO and IEC standards and European standards published by CEN and CENELEC, participation in development of these standards, as well as miscellaneous forms of professional collaboration. This provides the conditions for the accessibility of the European and international standards to the businesses in the Republic of Serbia.

The Institute should become a full member of these European organizations for standardization before accession of the Republic of Serbia to the EU. In the process of meeting the requirements for full membership, the Institute has:

- started transformation from the state body into an independent non-profit organization to meet the organization requirements;
- started an extensive job of adoption of the European EN standards to meet the requirement of compliance with at least 80% out of the total of 23,000 European EN standards issued by the European organizations for standardization (CEN – 13,087; CENELEC – 5452 and ETSI 4235), which should be transposed into the national standardization, together with annulment of their non-compliant counterparts.

The national accreditation body should become internationally acknowledged and full member of ECA (European Cooperation for Accreditation) as well as a signatory to MLA (Multilateral Agreement on Accreditation). This will enable mutual recognition of accreditation (confirmation of competence) of bodies for harmonization evaluation, i.e. evaluation of the results thereof.

The National Institute of Metrology should become internationally acknowledged in order to provide traceability in the International System of units (IS units). The legislative and scientific metrologies are important for the national economy so that its products could be recognized at the European market.

The Conformity Assessment Bodies – CABs are services of the economy. Most EU member states comply with the recommendation of the European Commission that accreditation pursuant to the standards EN 45000 and EN ISO/IEC 17000 is important, and that it is an important instrument for evaluation of competence and impartiality of the bodies for compliance evaluation. In the European Union, the member states are responsible for the bodies they accredit (report – notify), and their certificates are accepted everywhere at the internal EU market. The bodies for evaluation of compliance may not be funded from the national budget. They have to generate their own income at the market, in competition with other similar institutions.

In order to improve competitiveness of the Serbian economy it is necessary to actively promote affirmation of all mechanisms of mutual recognition and acknowledgment of results of analyses of products and certificates, such as agreements on mutual recognition (bilateral and multilateral), membership in international systems of the bodies for evaluation of compliance, etc.

Policy of direct foreign investment

Although the Republic of Serbia has already enacted a series of laws and other regulations in order to promote business friendly environment (BFE), such as regulations in the area of company operations, securities, financial market, transfer of capital, special tax incentives for foreign investors, there is still a lot to be done. Some important laws have not yet been enacted, such as the law on restitution, new law on concessions and other forms of public-private partnership, law on legal representations, etc. In an effort to attract new investments, primarily into the production sector, and to highlight the necessity of increased export of added value products and provide more opportunity for new jobs, the Republic of Serbia is faced with numerous challenges. Numerous activities of the Government are directed primarily at proposal of a large number of new pieces of legislation and enactment of the pertinent by-laws to achieve the priority objective of providing the favorable conditions, environment and framework to attract, maintain and expand the internationally competitive and export-oriented investments, aimed at elevation of the overall economic growth and development.

The proposed and applied measures represent improved conditions for investment by accelerated reform programs and institution building and strengthening on the national, municipal (local) and agency levels.

In comparison to other countries in the region, the Republic of Serbia is associated with a series of advantages in the area of building the business friendly environment. These are: the lowest company profit tax in Europe (10%), the lowest standard VAT rate (18%), special tax incentives and credits for foreign investors that create new jobs, as well as custom duty relief for the so called investment in kind (import of equipment). The taxation reform and modernization are crucial elements of the comprehensive support package offered to new investors. That is why the tax policy in Serbia should remain competitive with tax policies of the countries in the neighborhood in low corporate tax rates and restricted regulations relating to tax exemptions. Besides, the reform process in the educational system should be encouraged and accelerated additionally in order to provide favorable climate and attractive market for foreign investors.

On the other hand, investors who intend to invest in Serbia are faced with numerous difficulties, from the institutional ones (caused by lack of adequate legislation), to purely technical ones (such as unnecessary administration and slow, time consuming procedure of providing licenses for registration of a foreign investment). Serbia has not yet enacted necessary legislation in many areas. New investments in industrial parks and development of other property relations in Serbia lag significantly behind other countries in the region. The urban and industrial planning in Serbia is extremely underdeveloped, where the issue of building permits remains a constant source of insecurity for foreign investors.

In the Government of Serbia, the Serbian Investment and Export Promotion Agency (SIEPA) is in charge of providing technical assistance to foreign investors, review of possibilities for foreign investments, practical issues relating to foreign investments and well as design and compilation of pertinent promotional material. The Ministry of Economy and Regional Development supervises activities and operations of this Agency.

In order to reach the set objectives more efficiently, recognize and identify them, on 9 March 2006 the Republic of Serbia adopted the Strategy of Promotion and Development of Foreign Investments («Official Gazette RS», vol. 22/2006). The document contains detailed analysis of investment environment and highlights the need for more comprehensive reform in order to improve the business climate. The strategy defines concrete measures and activities that need implementing to make Serbia the regional investment destination.

Successful implementation of the Strategy of Promotion and Development of Foreign Investments resulted in very rapid increase of gross inflow of foreign investments to Serbia in 2006 reaching the peak of USD 5,464 million out of which most originated from privatization in the areas of telecommunications, banking, insurance, etc. This is a major step forward in comparison with 2005, when the gross receipts of foreign investments reached the total of USD 1,543 million. The list of major foreign investors in Serbia includes leading mobile operators Telenor and Mobilcom, which are followed by Stada (drug manufacturer) and international banks, including the National Bank of Greece, OTP Bank and San Paolo IMI. New data for 2007 record the total gross inflow of foreign investment in the amount of USD 3,607 million.

The total inflow based on foreign investments in the period 2000 through 2007 amounts to USD 12,683 million. Among the top ten largest investors nine are from the EU member states (Norway is the third on the list). Most of investments were directed into the financial sector, traffic and processing industry.

In 2008 the largest investments are expected in the Horgoš – Požega Highway, RTB Bor and NIS, as well as investments into the Technological Park by The Embassy Group from India.

State aid

The main role of the institute of state aid control (PEP), implemented in the way defined in founding acts of the European Union, is to disable violation of competition and free trade within the Common European Market caused by interventions of bodies of Member States. The system of state aid in the European Union is regulated by means of articles 87 and 88 of the Treaty establishing the European Community. The stated Treaty sets out that the state aid understands the aid: granted from state funds; which provides an advantageous economic position to an economic entity, a sector, or a region; which is selective since it violates the market game by favouring an economic entity, a sector, or a region; which affects competition and trade among member states.

According to provisions of the Draft Law on State Aid Control:

- the notion of state aid understands any action which generates actual or potential public expenditure or reduced public revenues and that in a selective way provides an economic advantage for a state aid beneficiary in relation to competitors, which violates or creates a threat of violation of the competition on the market.
- the grantor of state aid is the Republic of Serbia, an autonomous province, and a local self-government unit, through competent bodies, and any legal entity that manages and/or disposes of public funds and grants state aid in any form.
- the beneficiary of state aid is any legal entity and natural person that in performing the activity of production and/or trade of goods and/or rendering services on the market, makes use of state aid in any form.

The legislative framework in the field of state aid has not yet been established, but the procedure for preparing of the draft law to be submitted to the Government, stipulated by the Rules of Procedure of the Government, has for the most part been implemented (public hearing was realized at the end of 2007 and beginning of 2008). Once the new Government has been constituted and the final phase of the procedure finished, the draft law will be submitted to the Government that should formulate the proposal and send it into the Parliament procedure. Adoption of the regulatory and institutional framework for the state aid control is an important element of comprehensive preparations and meeting of requirements for the accession to the WTO and the European Union and, in the first place, of meeting of the obligations contained in the SAA (Article 73).

Establishment of a transparent system of the state aid control will produce significant positive effects with regard to formulation of an economic policy, more economical planning of the state budget and the budget deficit management, more efficient cooperation with international organizations with which the Republic of Serbia has financial arrangements as well as to the creation of an adequate industrial policy and the policy of regional development.

Although the system of state aid control has not been established yet, in the Republic of Serbia annual reports on allocated state aid have been compiled since 2004. The Government has so far adopted two such reports – the Report for 2004 and for 2005 (adopted in May 2006) and the Report for 2005 (adopted in July 2007). In the Report for 2005 the methodology of the EU related to the field of reporting was implemented to the greatest extent possible. The Proposal of the Report for 2006 has been prepared, the prescribed procedure has been implemented, and, on constitution of the new Government,

it will be submitted for adoption. Through adoption of laws and accompanying by-laws full transparency of the granting and utilization of state aid will have been established.

Consumer protection

Consumer protection in the Republic of Serbia is one of the priorities in the process of completing the institutional and legal milieu of a modern market economy and society. Creation of conditions for establishing and functioning of a free market and putting market in order is primarily in the interest of Serbian citizens as consumers. If consumers enjoy a certain level of legal security, then they also are able to take rational decisions in all other spheres of social and economic life.

An honest market behaviour, fair commercial practice, treatment of buyers, tourists and consumers whose rights and interests are respected in the respective legal activity or relationship, are of major importance for all market participants, participants and operators, but indirectly for those preceding that process, namely manufacturers and producers. In that respect, consumer right is a general economic prerequisite for the exercise of all other rights and is thus is a fundamental human right under the European Convention on Human Rights.

Consumer rights are a part of the system of mutual duties and powers of all market participants, and are therefore the interest of other participants as well, mainly companies. Certainty of economic effects of contracts on sales and purchases of consumer goods is not only in the interest of economically weaker or less informed party – the consumers, but is also in the interest of sellers, who, by establishing and abiding by a code of conduct may engage in competition that would be based on lower prices and better quality rather than on violation of competition. Fraudulent presentations of advantages or conveniences for buyers, relying on abuse of consumers' ignorance, are not rare cases.

Failure to observe quality requirements, various delusions, manipulation with awareness of insufficiently educated buyers or abuse of the position of certain consumer groups soon turn into direct infliction of damage on all conscientious market participants. Without regulation and enhancement of consumer rights there is no competition and this poses a threat and deforms the basis functions of the market, which is at the same time an element of the public order of a democratic society.

Since consumer rights standards are one of the pillars of the legal system of modern market economy such as the European market, there is a need to prescribe legal provisions proclaiming the respect for a whole set of fundamental human rights. An important position among them belongs to a set of norms aimed at protecting efficient harmonization of consumer protection law but requests towards equalization of these standards in the EU are not limited only to those fields in which consumer rights have started to gain recognition.

An important element of consumer protection policy is consumer protection in the field of services, especially in tourism and banking. It is therefore necessary to intensely develop a mechanism of removing the discrepancies in the economic strength or information in services. The process of finding consumer protection methods is additionally aggravated due to technological developments and emergence of new trading practices.

In January 2007, the Government adopted the National Consumer Protection Program for 2007– 2012. The main goal of the adoption of the Program is the exercise and recognition of consumer rights and interests, creation of new institutions and establishment of partnership cooperation of participants in the exercise, protection and development of consumer rights and interests. Indirectly, this means the improvement of the Republic of Serbia's economic system and increased attractiveness of its economy for foreign investments and other forms of international economic cooperation. Clearly, this goal cannot be attained unless efforts are made towards integration into the EU economic and legal system. The Republic of Serbia has clearly shown that it is moving towards full implementation of the legal system

which is suitable for a modern European democratic society by including the obligation of the Republic of Serbia to protect consumers in compliance with the Article 90 of the Constitution of the Republic of Serbia.

The National Consumer Protection Program for 2007– 2012 includes: development of the consumer protection system, assessment of the situation regarding consumer protection, entities to be protected by the consumer protection system, goals and tasks of consumer protection, tasks of consumer protection agents, finances for implementing the Program, an overview of goals and tasks, agents, deadlines and resources for implementing the Program.

The Program is aimed at allowing that different partial or unconnected efforts of the state, consumer organizations, foreign partners, chambers of commerce or individual companies be harmonized in the process of developing a comprehensive system that would be met the requirements of our society and the EU.

The Program is a clear political-legal document that will serve as a consumer protection strategy and policy and an encouragement to different government authorities, mixed entities, as well as consumer organizations (independent, non-profit, non-governmental and non-political associations of citizens as consumers), to coordinate their efforts and cooperation towards exercise of consumer rights and interests.

Within the Ministry of Trade and Services, Consumer Protection Division has been established as a special organizational, as well as the Minister's Consumer Protection Council as an advisory body.

The Council members are eminent scientists and experts in this field, representatives of relevant ministries and consumer organizations. In line with practice of the EU member states which have similar bodies, the Council's function is solely advisory. It is a consultancy body aimed at assisting the Minister and the Ministry in broader terms in adopting the best possible and most efficient decisions on various issues relating to consumer protection policy development. Another important function of the Council is to encourage a more active involvement of consumer organization in consumer protection policy making.

In connection with important projects aimed at improving consumer protection, it is noteworthy that implementation of CARDS 2006 program in consumer protection has started. It is financed by the European Agency for Reconstruction with Eur 2,000,000. This program will strengthen the legal framework in the field of consumer protection, implement training programs and provide IT equipment for the purposes of establishing an integrated IT system for market inspection, which will be a first step towards establishing a uniform rapid alert system for consumer goods in Serbia (RAPEX).

In 2007, activities were oriented towards improving the normative framework primarily through preparation of a new Draft Law on Amendments to the Consumer Protection Law.

Short-term priorities (2008-2009)

The Draft Law on Amendments to the Law on Consumer Protection is under procedure. It is expected to be adopted in the second quarter of 2008 and will provide further harmonization with *acquis communautaire* in this field, improvement of the existing provision of the Law on Consumer Protection, as well as assumption of obligations from the EU Stabilization and Association Agreement.

Amendments to the Law on Consumer Protection will attain the goals and tasks established by the National Consumer Protection Program for 2007-2012 and lay the foundations for the establishment of consumer protection advisory centres primarily in order to develop the system of legal protection of consumers through harmonization of the Law on Consumer Protection with the respective EU directives

and standards, creation of conditions for more efficient functioning of consumer organizations and their active involvement in fuller exercise of consumer rights and interests.

- The drafting of the Law on consumer loans is planned.
- The plan is to continually strengthen administrative and technical capacities of the Consumer Protection Division and Market Inspection Department, in order to upgrade competences and skills. It is necessary to further develop various forms of cooperation with other relevant institutions as well as consumer protection organization.
- In order to create conditions for partnership cooperation and more active engagement of consumer organizations towards the exercise of consumer rights and interests, consumer protection advisory centres will be established. The advisory centres will link the initiative of citizens as consumers and consumer organizations in a particular territory of local self-government units with material assistance and extension service of state authorities on a permanent and professional basis. This assistance will be intended for consumers and their organizations and will aim at the exercise of consumer rights, raising awareness of consumers, traders and service providers, and building confidence in state institutions and the rule of law. They will operate as a framework for integration and coordination of activities of state authorities (within their legal obligation to improve consumer protection) and independent consumer organizations. The advisory centres will provide the basis and opportunity for rapid and efficient expansion of consumer protection in the entire territory of the Republic of Serbia. It is therefore necessary to establish a network of such centres that would integrate all protection components stemming from activities of individual local consumer organizations through mutual exchange of information and reception i.e. diffusion of information from the environment.

Medium-term priorities (2010-2012)

- For the purposes of attaining the best possible consumer protection system, it is necessary to train the existing consumer protection leaders, to supplement what is missing and to establish and strengthen partnership cooperation on programs, projects, plans and activities, established goals and tasks of the Program. Cooperation mainly concerns state authorities responsible for consumer protection and consumer organization, as well as all entities responsible for protection of rights and interest of consumers and users of services.
- A prerequisite for sustainable consumer protection in the conditions of functioning of free competition in the market is to define, establish and make operational a modern structure of the entity that will take care of consumer rights and interests and develop their protection.

It is necessary to continue activities towards strengthening legislative cooperation and coordination between ministries responsible for different segments of consumer protection, raising awareness of consumers as well as of all market participants about their right and obligations, and further programming of legislative harmonization.

2.2.6. Sectoral reforms aimed to increase productivity and competitiveness

Increase in productivity and competitiveness of the Serbian economy is essentially a policy of government authorities aimed at creating a favourable and stable business climate. This includes increased competitiveness at the enterprise level, improved exports and trade policy, establishment of strong links with the international business community, encouragement of clusters, enterprise loans, attracting foreign investors, introduction of innovations, investment in human resources development, raising public awareness about the importance of competitiveness.

For the purposes of improving competitiveness of the economy, the Ministry of Economy and Regional Development takes part in negotiations relating to Serbia's membership in the framework Competitiveness and Innovativeness Program (CIP), which is aimed at encouraging competitiveness of European Enterprises, mainly SMEs. The Program supports innovative activities, including eco-innovation, better access to business support capital and services, wide use of information-communications technologies and assistance in the development of information society. The CIP has three pillars – three operational programs: Entrepreneurship and Innovation Program (EIP), Information and Communications Technologies Policy Support Program (ICT PSP) and Intelligent European Energy (IEE). Participation in this Program will allow access to the funds amounting to 3.6 billion euros to 2013. The largest part of it (60%) is intended for the component relating to entrepreneurship and innovativeness. Likewise, the Ministry of Economy and Regional Development encourages linkage of enterprises, educational institutions and other institutions and organizations under the cluster concept through implementation of the Program for Encouraging Development of Clusters, which supports 16 of them.

Over the past decade, the cluster concept became accepted as one of the basic instrument of industrial policy and, in particular, of innovation policy. Studies have shown the clusters, owing to the strength of mutual links between participants, encourage growth of productivity, innovativeness and, in the long run, dynamic pace of the economy, creation of new job opportunities and economic development at large. Clusters are comprised of mutually linked enterprises engaged in similar or different activities, as well as educational institutions, other institutions and organization that guarantee the critical mass of knowledge, technologies, resources of importance for strengthening competitiveness of individual enterprises – participants and clusters at large. Clusters connect common needs for the areas of procurement, clients, specialized services, labour force and other resources.

Participation in the implementation of the Project „Facilitating Access to International Market for Supplier of Automotive Components in Serbia“, that has been implemented since 2005 in cooperation with the Ministry of Economy of the Republic of Slovenia, UN Organization for Industrial Development (UNIDO), Slovenian and Serbian Automotive Cluster, will improve the institutional capacities and development of regional network of automotive clusters, which will allow an easier and faster access of Serbian manufacturer to the international market of automotive industry. Draft Project for Encouraging Enterprises to Invest in Strengthening Innovativeness has been prepared.

The creation of conditions for rapid and sustainable growth of productivity by the use of new sources of competitive advantages, such as knowledge, know-how and information, has become a crucial developmental issue of every national economy. Technological progress and innovations are necessary in order to maintain long-term growth of the Serbian economy. Presently, the productivity of Serbia economy is 10 times lower than the EU average, and investments of enterprises in research and development are at a very low level.

At the moment, harmonization of concepts envisaged by various already adopted sectoral strategies verified by the Government could be attained by creating a Summary Strategy for enhancing Serbia's competitiveness, which would harmonize the present strategic documents and define a the program of measures for encouraging competitiveness with adjusted dynamics and implementation control (monitoring of selected quantitative indicators).

Increase in productivity and competitiveness of the Serbian economy is a key goal of industrial policy of the Republic of Serbia, which is included in Serbia's National Strategy for accession of Serbian and Montenegro to the European Union.

In 2006, the Government of the Republic of Serbia adopted the National Strategy of Economic Development of Serbia for the period 2006-2012, which is the first developmental document that

consistently and holistically defines the country's basic developmental priorities and how to attain them in the coming years. The National Strategy is founded on the respect for key economic and European experiences which presently underlie a successful economic and social development.

The National Strategy of Economic Development is implemented through the Action Plan adopted by the Government in 2006. The basic postulates of the Action Plan, which is permeated by a vertical and horizontal dimension of the Serbia industrial policy, include: harmonization of standards and technical regulations with standards and technical regulations of the European Union, support to development of clusters, industrial and technological parts through defining cluster support programs, cluster mapping and cluster program implementation, adoption of the Law on Industrial Parks, identifying locations for industrial and technological parks, raising funds for putting in order the infrastructure of industrial and technological parks.

The Program for Development of Business Incubators and Clusters in the Republic of Serbia 2007-2010 was adopted by the Council for Small and Medium Enterprises in December 2006. The Program is aimed at opening new job opportunities, foundation of business incubators and parks, promotion of business linkage of clusters and innovative activities, opening of new enterprises and increased competitiveness through development of entrepreneurs, enterprises and institutions for providing support to SMEs in the Republic of Serbia. The Program provides a framework and joint platform for projects and initiatives that are already underway, as well as the once that are planned.

The Program on the schedule and use of funds for the implementation of the Program for Cluster Development was adopted in 2008 by the Ministry of Economy and Regional Development. The Program is aimed at establishing strategic partnership and connecting enterprises in order to increase specialization, improve labour force and other factors, improve technological development and innovation capacities through active partnership relationship between enterprises and research and development institutions. Engagement of research and development institutions in projects with commercial goals would increase the capacity of enterprises to operate in the international market, as well as the value and volume of their exports, stronger links would be established between cluster representatives, national policy coordinators, educational and scientific-research institutions.

Unofficial draft strategies for increasing competitiveness have also been prepared, including the Strategy for Serbia's Competitiveness 2005-2010, authored by Prof. Dr. Dragan Djuricic (Faculty of Economics, University of Belgrade). This strategy includes four competitiveness pillars: the first, on macroeconomic management, includes the exchange rate strategy, price strategy, trade strategy and development strategy; the second pillar, on microeconomic management, includes business strategy, corporate governance, sophistication in managing operations by applying modern management techniques, management training, etc; the third pillar includes regulations and system institution; the fourth pillar includes business ethics and the value system (the backbone of this system should comprise the Serbian European Orientation Strategy and the Serbian Strategy for Fighting Corruption).

For the purposes of improving competitiveness, the Ministry of Economy and Regional Development has taken measures towards creating normative and institutional basis for harmonizing the Serbian technical regulations with European legislation and practice, as well as activities oriented towards improving the work of national bodies for standardization, accreditation and metrology. Also, through different project, the Ministry for Economy and Regional Development has encouraged the development of Serbian enterprises in the field of clusters, increase in imports, integration in the world suppliers' chain (UNIDO project) and strengthening productivity.

Efforts of the Sector for Improvement of Competitiveness and Quality Infrastructure towards creating economic circumstances favourable for integration into the European and global economy will continue to be oriented towards harmonization of national legislation with European technical regulations,

systematic approach to the improvement of the respective quality infrastructure and preparation of the economic sector for competition in the EU market. Efforts will also be oriented towards increasing competitiveness and productivity through strengthening of the economic development, employment and exports through linkage of enterprises into clusters and through encouraging innovative activity of Serbian enterprises. This is one of the ways to support an even regional development of Serbia.

The development of quality infrastructure institutions and harmonization of products of the Serbian economy with requirements of European technical regulations, which apply to all participants in a regulated “internal EU market” with a very strong competition, will be a major social and economic reform.

During the development of quality infrastructure institution in countries striving towards accession to the European Union, it is necessary to review the conditions that domestic quality infrastructure institutions have to meet in order to become members of the respective European organizations and associations. Membership of national quality infrastructure institutions in the respective European institutions will allow mutual recognition and recognitions of results of testing of products and certificates, which will make it easier for business operators from the Republic of Serbia to sell their products and services in the European Union market, as well as to gain an equal position in that market.

Harmonization of national technical legislation with the EU legislation is a process that normally takes some years because it involves settlement of both legal and a large number of technical questions. For example, legislation for electric products, machines, lifts, pressure equipment, personal protection equipment, medical devices and other products, covered by the directives of the New Approach, cannot be successfully implemented unless all harmonized EN standards for the particular directive are transposed into the national standardization.

Harmonization with technical legislation of the EU and improvement of the work of quality infrastructure institutions will provide the conditions for marketing Serbian products in the single EU market, with recognition of approximation document issued in compliance with the harmonized legislation. Measures taken are aimed at strengthening the quality infrastructure institutions in Serbia through comparison with institutions and bodies within the European Union.

As the first step in performing these complex tasks, the Information was prepared on the need to adopt an Action Plan that would systemically regulate the adoption and implementation of technical regulations. The Government adopted this Information of 4 October 2007. The action plan will contain the program for harmonization of the existing technical regulations, responsibilities and deadlines for preparing the regulations, whereby the new approach European directives will be transposed, as well as the plan for resolving the problem of standard with compulsory application. For developing the quality infrastructure institution, it is necessary to implement specific measures for improving the work of competent institutions.

The Institute for Standardization of Serbia represents the Republic of Serbia and its interests in international and European standardization organizations, through participation in the work of their administrative and executive bodies, technical committees, sub-committees and other bodies. This allows, primarily, transposition of European standards and the related documents into the national standardization, as Serbian standards and the related document, possession of collections of international ISO and IEC standards and European standards published by CEN and CENELEC, participation in the creation of the said standards and various forms of professional cooperation. Conditions are thus created for European international standards to be made available to business operators in the republic of Serbia.

The Institute should become full member of the European organizations for standardization before accession of the Republic of Serbia to the EU. In the framework of fulfilling the conditions for full membership, the Institute has:

- initiated transformation from state authority to an independent non-profit organization, in order to meet the conditions regarding organization;
- initiated a voluminous tasks of adopting the European standards, in order to meet the conditions according to which the minimum of 80% of the total of 23,000 European EN – standards that have been issued by the European organizations for standardization (CEN – 13,087, CENELEC – 5452 и ETSI 4235) can be transposed into the national standardization and all opposite standards to be repealed.

The National Accreditation Body should become internationally recognized and should be full member of ECA (European Cooperation for Accreditation), as well as a signatory of MLA (Multilateral Accreditation Agreement). This will allow mutual recognition of accreditation (verification of competence) of quality conformity assessment bodies, i.e. their performance.

The National Institute for Metrology should become internationally recognized, in order to ensure traceability in international system of units IS (IS units). The legal and scientific metrologies are important for the national economy in order that their products may be acceptable for the European market.

Conformity Assessment Bodies (CABs) are a service for the economic sector. Most EU member states respect the European Commission's recommendation that accreditation in line with standards of series EN 45000 and EN ISO/IEC 17000 is important and is an important instrument for assessing competence and impartiality of the conformity assessment body. In the European Union, member countries are responsible for the notifying bodies, and their certificates are accepted everywhere in the internal EU market. It is not permissible to finance the conformity assessment bodies out the national budget. They have to generate their income in the market, in competition with other similar institutions.

In order to upgrade the competitiveness of the Serbian economy, it is necessary to work towards bringing to recognition all mechanisms of mutual recognition of the results of testing of products and certificates. This would include entering into contracts on mutual recognition (bilateral and multilateral), membership in international systems of conformity assessment bodies, etc.

Upon conclusion of the memorandum of membership of Serbia in the CIP Program, the plan is to implement the following activities: promote the CIP program's opportunities, establish data bases and inform target groups about the possibilities of participation and participation of enterprises and institutions from the Republic of Serbia in the CIP Program.

The project of „Support to Enterprise Competitiveness and Export Promotion” is also planned, in order to encourage competitiveness of Serbian SMEs through their integration into the chain of global suppliers and export promotion.

In order to encourage an even regional development that would be aimed at providing further support to the development of clusters, business incubators, industrial zones, technology parks, as well as at investment in enterprises for strengthening innovativeness, it is necessary to undertake the following measures: identify potentials for developing clusters in the region (analysis of branches, mapping/presentation of mutual links of potential cluster members, etc.), establish infrastructure for providing support to the development of clusters through: developing the cluster strategy, organising education-training centres at the regional level, for which Chambers and Agencies can be used; promoting the cluster concept, solving the legal problem of cluster registration, establishing international contacts in order to exchange experiences; provide national/regional support to financing the work of

cluster through development of an adequate credit policy for the purposes of cluster development, pursue cluster development policy in parts relating to education-training by adjusting training and educational programs to the cluster development needs; promote clusters themselves in order to attract investments through branding clusters, their products, services, image building, commercialize results through strengthening the links between enterprises and research and development institutions for the purposes of applying scientific research results for commercial purposes, identify and solve problems arising in the work of cluster by analysing the situation by sector and based on the results prepare programs of development by sector, provide continuing education and training for the labour force, invest in basic and applied research and development, upgrade cooperation between innovative enterprises and research institutions, increase know-how and patents through clear implementation of laws and regulations in the field of innovative activity, increase participation in internationalization of information technology through cooperation with member states of the European Union, support the creation and development of start-ups through innovative projects, support the creation of spin – offs through training seminars and research, encourage the development of incubators for start-up enterprise and draft the respective law.

3. ABILITY TO ASSUME OBLIGATIONS ARISING FROM EU MEMBERSHIP

3.1. FREEDOM OF MOVEMENT OF GOODS

3.1.1 Horizontal issues

Legislative framework

During the existence of State Union of Serbia and Montenegro, the Constitutional Charter defined the fields of technical regulations and quality infrastructure (standardization, accreditation, metrology and conformity assessment) under the competence of the state union.

The Assembly of Serbia and Montenegro adopted framework laws, which continued to be the legal framework for standardization, accreditation, metrology and conformity assessment. They are the following laws:

- Law on Standardization (“The Official Gazette of Serbia and Montenegro”, No. 44/05);
- Law on Accreditation (“The Official Gazette of Serbia and Montenegro”, No. 44/05);
- Law on Metrology (“The Official Gazette of Serbia and Montenegro”, No. 44/05) and
- Law on Technical Requirement for Production and Assessment of Conformity of Product with Prescribed Requirements (“The Official Gazette of Serbia and Montenegro”, No. 44/05).

Under the said laws, the Ministry for Internal Economic Relations had the responsibility to:

- Prepare technical regulations in all fields ;
- Keep a Register of technical regulations;
- Keep a Register of technical regulations under preparation
- Certify conformity assessment bodies;
- Keep a Register of certified conformity assessment bodies ,
- Monitor the work of certified conformity assessment bodies;
- Keep a register on types of valid documents on approximation and signs of approximation issued abroad in compliance with international treaties
- Undertake second instance administrative proceedings in the field of metrology and conformity assessment

The same Ministry was responsible for standardization, accreditation and metrology and as such adopted by-laws for implementation of the said laws, almost all in the field of standardization, accreditation, technical regulations and conformity assessment, but not for metrology.

Article 27 of the Law on Ministries (“Official Gazette of the RS”, No. 43/07), stipulates that the ministries within their scope of work perform public administration activities relating to preparation of technical regulations.

Under Article 10 of the Law on Ministries, the Ministry of Economy and Regional Development shall prepare the Action Plan for drafting technical regulations with measures for their implementation.

The Ministries and other relevant special agencies and organizations of the Government of Serbia will have a key role in creating the contents of the Action Plan and in its implementation. Thus, the Action Plan will encourage their active approach to regulating the field of technical regulations and upgrade

coordination of activities in the field of technical regulations that are essentially inter-ministerial. The Ministry of Economy and Regional Development will provide the concept, coordination of all participants in the preparation of the Action Plan, and regularly monitor the fulfillment of obligations.

The adoption and implementation of the Action Plan will result in a systemically regulated field of technical regulations and significantly contribute to speeding up the process of accession to the European Union, and the Action Plan itself will be integrated in the NIP document.

In December 2007, the Project Group was formed for drawing up Draft Law on Technical Requirements for Products and Assessment of Conformity with Prescribed Requirements. The working text of the Draft Law has been finalized. It is planned to be submitted to the competent Ministries, for consultation. Experts engaged through the PLAC project participated in preparing this Draft Law.

The main reasons for adopting this new Law on Technical Requirements for Products and Assessment of Conformity with Prescribed Requirements are:

- Harmonization with the legal system of the Republic of Serbia and the need to upgrade the technical legislation of the Republic of Serbia,
- Harmonization with the rules of the Agreement on Technical Barriers to Trade (TBT) of the World Trade Organization (WTO), and
- Harmonization with technical legislation of the European Union.

Considering that at the level of the State Union there was only one ministry responsible for preparation and adoption of technical regulations, the valid Law to a large extent contains a centralized approach, which in many cases is not in accordance with the principles of the Serbian legislation according to which the Ministries should in line with their scope of work regulate particular fields. At the state union level, one ministry was responsible for: drawing up technical regulations in all fields; keeping a register of technical regulations; keeping a register of technical regulations under preparation; building capacity of conformity assessment bodies; keeping a register of conformity assessment bodies; supervising the work of authorized conformity assessment bodies; keeping records on types of valid documents on conformity and signs of conformity that have been issued abroad in line with international treaties, as well as second instance proceedings in the field of conformity assessment.

In the period when the state union ceased to exist the practice showed the un-sustainability of such a system, namely the need to reallocate competences, tasks and obligations regarding technical legislation.

The draft law provides the legal framework for transposing the EU directives (new and global approach, as well as the old approach) if prescription of technical requirements and implementation of conformity assessment procedures for products is not envisaged by special laws. The draft also allows the prescription of technical requirements for the field of non-harmonized EU law, i.e. preparation and adoption of national technical regulations.

The formation of the Project Group for drawing up Draft Law on Standardization is underway. The plan is for the said Law to be submitted to the Government for adoption in September 2007.

The Draft Law on Safety of Products regulates general safety of products that are sold in the market, the criteria for assessing conformity of products subjected to a general demand for safety, obligations of producers and distributors, conditions and methods of providing information and exchange of information on risks that a product poses for health and security of consumers and other users, as well as supervision. It was submitted to the National Assembly on 03 December 2007 for adoption.

Institutional framework

Article 10 of the Law on Ministries stipulates that the Ministry of Economy and Regional Development performs, inter alia, also public administration activities relating to standardization, technical regulations, accreditation, measures and precious metals, as well as prepares regulations in the field of standardization, technical regulations, accreditation, measures and precious metals.

In November 2006, the Serbian Accreditation Body was established as an independent non-profit organization which took over the staff of the former accreditation body of Serbia and Montenegro. In February 2007, the Government founded the Serbian Institute for Standardization (ISS). Its Articles of Association were approved in August 2007 and the existing staff remained employed by it. In May 2007, the Directorate for Measures and Precious Metals was established within the Ministry of Economy and Regional Development.

The other relevant institutions are the following: the Ministry of Finance, the Ministry of Trade and Services; the Ministry of Agriculture, Forestry and Water Management; the Ministry of Environmental Protection; the Serbian Institute for Standardization; the Serbian Accreditation Body; the Directorate for Measures and Precious Metals, the Republican Secretariat for Legislation and the European Integrations Office.

Short-term priorities

- Establish a clear common framework for drawing up and adopting technical regulations for products, by using the best, internationally recognized practices in this field.
- Establish the program for reviewing all valid technical regulations or products and standards with obligatory application and adopt a uniform action plan for preparation and adoption of the necessary new technical regulations.
- Establish coordination necessary for updating the register of technical regulations (under preparation and adopted), as the basis for work of the future IT information center, in accordance with the requirements for accession to WTO and EU.
- Establish the system for accreditation of bodies that assess conformity of products with the requirements of technical regulation and for supervision of their work, as well as a register of these bodies and the necessary coordination for updating it.
- Adopt the said law and build capacities for their implementation.

Medium-term priorities

Further implementation of obligations arising from the EU accession process

3.1.1.1. Standardization

Legislative framework

The field of standardization has been regulated by the Law on Standardization („The Official Gazette of Serbia and Montenegro”, No. 44/2005) adopted on 22 October 2005 at the level of the state union of Serbia and Montenegro. This Law also regulates the principles and goals of standardization in Serbia and Montenegro, the establishment, organization and activity of the organization for standardization of Serbia and Montenegro, the adoption, issuance and implementation of Serbian standards and the related documents in the field of standardization, as well as inspection supervision over the implementation of this law.

In accordance with the „*Action plan for changing the regulations in the field of the system of issuance of import and export permits and all other administrative procedures preceding exports, imports, or transit for the purposes of harmonization with the WTO rules and regulations*“, underway is the procedure for

drawing up the amendments to this Law which are expected to be adopted by the National Assembly in the course of 2008.

The Law has been partly harmonized with *acquis communautaire*. In principle, the law can be considered acceptable because it contains provisions relating to transformation of the Serbian Institute for Standardization. However, some of the provisions have to be amended, supplemented or deleted.

3.1.1.1.1.2 Institutional framework

Standardization is within the competence of the Serbian Institute for Standardization (ISS). The rights, obligations and responsibilities of the Institute have been stipulated by the Law on Standardization („The Official Gazette of Serbia and Montenegro”, No. 44/2005), the Decision to Establish the Serbian Institute for Standardization (ISS) („The Official Gazette of the Republic of Serbia”, No. 16/2007), Articles of Association of the Institute („The Official Gazette of the Republic of Serbia”, No. 79/2007), which was approved by the Government of the Republic of Serbia on 2 August 2007 („The Official Gazette of the Republic of Serbia”, No. 73/2007) and other legal acts.

Changes in the legal statute of the Institute are made in order to create the conditions for the Institute to become a full member of the Comité Européen de Normalisation (CEN⁸) and the Comité Européen de Normalisation Electrotechnique (CENELEC⁹). Full membership of the Institute in these European standardization organizations is one of the conditions that the Republic of Serbia has to meet for the purposes of accession to the EU.

The legal basis for the adoption of Serbia standards and the related document and other activities in standardization is provided by Article 6 of the Law on Standardization. In drawing up the program relating to this activity of the Institute, the following priorities of the general external economic policy of economic relations of the Republic of Serbia were taken into consideration :

- Accession to the World Trade Organization (WTO);
- Conclusion of the Stabilization and Association Agreement (SAA) and obtaining the status of the candidate country for the EU membership.

In the WTO accession process, the Republic of Serbia will be obliged to accept the Agreement on Technical Barriers to Trade, which, in its Annex 3, includes the Code of good practice for preparation, adoption and application of standards. As the national standardization organization, back in early 1998, the Institute officially informed the ISO/IEC Information that it voluntarily accepted and was going to abide by this Code in its work. The fulfillment of this obligation is already underway and it is believed that the current transformation of the Institute, as well as re-engineering of its business processes and procedure will contribute to intensification of the process of transposition of European and international standards as Serbian standard.

In the course of 2007, the Institute published 458 Serbian standards and related document, with the total of 9,214 pages, and at the same time 128 Serbian standards and related documents were repealed.

Short-time priorities (2008-2009)

Short-term priorities of the national standardization are, *inter alia*, the following:

- Speed up the adoption of European standards and increase the number of applied standards ;
- Adopt the largest possible number of harmonized standards that make up the documentation for the adoption of technical standards.

⁸ CEN = Comité Européen de Normalisation

⁹ CENELEC = Comité Européen de Normalisation Electrotechnique

In 2008, the Institute plans to adopt around 2,800 Serbian standards and related documents, 600 of which will be in the Serbian and 2,200 in the English language.

Legislative framework

In accordance with the Action Plan, amendments to the existing regulations, for the purposes of harmonization with the WTO rules and principles, the plan is to draw up the Serbian Law on Standardization, which is within the competence of the Ministry of Economy and Regional Development, and the adoption of this Law is envisaged to take place in 2008.

Also envisaged for 2008 is the abolishment of standards with obligatory application, for the purposes of harmonization with the WTO rule and principles on free imports, exports and transit of goods.

Institutional framework

Most important elements in the strategy of the capacity building program of the Institute are modernization of the information technology (IT) system, education and training of employees, upgrading of the membership status of the Institute in CEN and CENELEC.

For the purposes of continuity and preservation of full competence of the Institute, the continuing training programs for employees will be continued in the Institute. For 2008, training has been envisaged in various fields under the „hands-on training“ system within the Regional CARDS Program. In 2008, within the National CARDS Programs, work will start towards establishing the quality management system under SRPS ISO 9001.

Medium-term priorities (period 2010-2011)

In line with national standardization priorities, to speed up the transposition and increase the number of applicable European standards, one of the strategic goals of the Institute is, by 2012, to harmonize Serbian standards with European standards (EN) and to harmonization documents (HD), namely for the minimum of 80 % of all European standards and harmonization documents to be transposed in the collection of Serbian standards and at the same time to repeal the respective opposite now valid Serbian standards.

Legislative framework

Analyze harmonization with other laws regulating the issues of importance for standardization. Particularly emphasize the Law on Technical Requirements for Products and Assessment of Conformity with Prescribed Requirements.

Administrative capacities

Capacities of the Serbian Institute for Standardization (ISS) will be harmonized in line with the following dynamics:

The employment and training plan:

Table 1 – Employment needs of government institutions

Name of the institution	State whether the institution is existing or planned	The present number of employees	<i>The planned (total) number of employees (by year)</i>					
			<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	
Institute for Standardization	Existing	77	97					

Total							
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3.1.1.1.4 Financial needs

Table 2A¹⁰ – Needs of the Institute for Standardization (ISS)

	In 2008	In 2009	In 2010	In 2011	In 2012
Activities ²					
Development of institutions					
Infrastructure ³					

Note:

Give the amount in Euros for each year.

For foreign support, specify the particular foreign support.

Table 2B – Budget of the Serbia Institute for Standardization (ISS) - local source

	In 2008	In 2009	In 2010	In 2011	In 2012
Activities ²					
Development of institutions					
Infrastructure ³					

Table 2C – Budget of the Serbian Institute for Standardization (ISS) - foreign source (*Twinning, technical assistance, IPA/bilateral*)

	In 2008	In 2009	In 2010	In 2011	In 2012
Activities ²					
Development of institutions					
Infrastructure ³					

3.1.1.2. Accreditation

Legislative framework

The Law on Accreditation, in addition to the establishment, activity, organs and financing of ATS, also regulates accreditation of conformity assessment organizations (organizations engaged in testing, calibration, control and certification of products, processes, management systems and experts).

The Law on Technical Requirements for Products and Assessment of Conformity with Prescribed Requirements („Official Gazette of Serbia and Montenegro“, No. 44/05), that applies to all products relating to the protection of life and security, including protection of consumers, etc., and of public interests, and by-laws adopted for the purposes of its implementation, prescribes that the Minister for Internal Economic Relations (now Minister for Economy and Regional Development), by passing a

¹⁰ Table „2A“ is a sum of resources listed in Tables „2B“ and „2C“

decision decision, authorizes the conformity assessment bodies. When assessing the fulfillment of conditions for assessment, the law stipulates that the minister may assess also the technical competence from the accreditation procedure or another equally important procedure. The Regulation on authorization of conformity assessment bodies, register of authorized conformity assessment bodies, records on documents on assessment, assessment signs and conformity assessment bodies, as well as conditions for application of other countries' technical requirements („Official Gazette of Serbia and Montenegro“, No. 22/2006), more closely regulated the issues of authorization of conformity assessment bodies. This Regulation practically prescribes that authorization is binding because the explicit condition for authorization is for bodies to produce the document on accreditation or on technical competence established by the Serbian Accreditation Body (SAB).

The Law on Metrology („Official Gazette of Serbia and Montenegro“, No. 44/05), that concerns all products intended for measurement (measures), regulates that conformity assessment measurements (type approval and certification) are done by the Organization for Metrology based on the law, and that certification is done by the laboratory authorized by the ministry, after having passed the prescribed procedure of consulting the metrology organization. When establishing the ability of authorized laboratories to do measure activities and to certify measures, according to the law the assessment of technical competence from the accreditation procedure or another equally important procedure can be taken into consideration.

The Law on Environmental Protection («Official Gazette of the RS», No. 135/2004) prescribes that the accreditation of EMAS assessors, namely the organizations or persons who verify the fulfillment of all conditions prescribed for legal and natural persons who are joining the EMAS system or are part of that system, requirements for assessing technology, processes, products, semi-products or raw materials that are harmful for the environment, is given by accredited professional organization, as well as that supervision and monitoring of the state of the environment can only be performed by an authorized organization, if it meets the conditions relating to accreditation for measurement of particular environmental parameter.

The Law on Veterinary Medicine («Official Gazette of the RS», No. 91/2005) prescribes that laboratories engaged in laboratory diagnostics, testing of safety of food of animal origin and testing of animal feed, as well as laboratories of veterinary-specialized institutes and veterinary institutes, have to be accredited by the organization competent for accreditation.

The Law on Seed («Official Gazette of the RS», No. 45/2005), in its Article 31 prescribes that testing and establishing of seed quality are done by accredited laboratories.

Institutional framework

In the Republic of Serbia, the Serbian Accreditation Body (SAB) is responsible for accreditation of conformity assessment organizations.

The Serbian Accreditation Body (SAB), as an independent non-profit organization, was founded by the Government of the Republic of Serbia by its Decision to establish the Serbian Accreditation Body («Official Gazette of the RS», No. 96/2006), based on the Law on Accreditation (“The Official Gazette of Serbia and Montenegro”, No.44/05), for the purposes of establishing the competency of organizations for performing the conformity assessment activities. The SAB is a legal successor of the Accreditation body of the former Serbian and Montenegro, or prior to that, of the Yugoslav Accreditation Body (YUAT), which had been established in 1987 by the Federal Government of the former Federal Republic of Yugoslavia (FRY) for the purposes of implementation of the then Law on Standardization, namely in order to perform accreditation activities.

Short-term priorities (2009-2010)

- Preparation for accession/signature of EA MLA and participation in the work of European and international accreditation organizations,
- Development of new accreditation schemes (programs) for work under (SRPS ISO 22000, SRPS ISO 15189, EU requirements for EMAS assessors),
- Cooperation with state and other authorities within the competence and fulfillment of obligations of the Republic of Serbia.
- Involvement of conformity assessment organizations from Serbia in regional schemes for competence testing and inter-laboratory comparisons,
- Promotion of the importance and role of the accreditation system in Serbia as a future member of the European Union.

Medium-term priorities (2010-2011)

- Implement the accreditation procedure, which establishes such a level of confidence in the work of accredited organizations that allows the reduction in the number of subsequent checks (testing, supervision, certification ...) of products in international trade,
- Attainment of international comparability and equivalency in the field of laboratory accreditation, supervisory organizations and certification bodies, that are proven by signing and maintaining the agreement on mutual recognition of accreditation and accredited activities within EA, ILAC and IAF,
- Establishment of new accreditation schemes for new fields of accreditation for which there are realistic needs and requirements in Serbia, both in compulsory and in voluntary fields,
- Recruitment and creation of an adequate number of accreditation assessors (employed full time and outsourced) and their engagement in the accreditation procedures,
- Cooperation and assistance to public administration relating to application of accreditation, as well as other forms of verifying competency of conformity assessment bodies,
- Attainment of a general belief that the Serbian accreditation system is the most adequate vehicle for establishing the competency of conformity assessment organizations and their systematic and continuing monitoring for the purposes of supervision over the fulfillment of established requirements.

3.1.1.3. Conformity assessment

Legislative framework

Pursuant to the Law on Technical Requirements for Products and Assessment of Conformity with Prescribed Requirements („Official Gazette of Serbia and Montenegro“ No. 44/2005) the issues of conformity assessment are regulated by the Regulation on the method for authorizing conformity assessment bodies, register of authorized conformity assessment bodies, records of conformity documents and conformity assessment bodies, as well as on the conditions for application of technical regulations of other states and by the Regulation on the conformity assessment method and procedures (The Official Gazette of Serbia and Montenegro No. 22/2006) that are mostly harmonized with regulations of the European Union. Serbia has more than 200 conformity assessment bodies accredited by the Serbian Accreditation Body, but the authorization by the ministry has not yet been put in place.

Accredited bodies are laboratories for testing and calibration – 183, then certification bodies – 20, product certification bodies - 13, QMS certification bodies – 5, EMS certification bodies – 3, supervision organizations.

Technical regulations prescribe the conditions to be met by conformity assessment bodies and supervision over their work. The conformity assessment bodies have to meet the requirement relating to professional competences, the required equipment, independence and impartiality in the conformity assessment process, keeping of business secret, responsibility for the work performed.

The conformity assessment procedures have been harmonized with modules (A-H) that represent stages in the conformity assessment procedure.

Institutional framework

Authorization of conformity assessment bodies by the Ministry of Economy and Regional Development has not yet been put in place.

Short-term priorities (2009-2010)

By adopting the new Law on Technical Requirements for Products and by-laws based on it, the conformity assessment procedure will to a large measure be harmonized with *acquis communautaire*. The existing Law on Technical Requirements for Products and Assessment of Conformity with Prescribed Requirements („Official Gazette of Serbia and Montenegro“, No. 44/2005) is rather centralized regarding the conformity assessment body, whereas the new law on technical requirements for products will, in addition to the Ministry of Economy and Regional Development, also involve other line ministries.

The Law also acknowledges the EU practice according to which the accreditation certificate for particular area is the best tool whereby the accreditation bodies prove their capacity and fulfillment of the minimum conditions.

Medium-term priorities (2011-2012)

The development of the continuing supervision system over the conformity assessment bodies, as well as further capacity building and development of national conformity assessment bodies for preparation for full implementation of the European Union Directives.

Capacity building of conformity assessment bodies so as to develop their ability to perform testing and certification in line with *acquis communautaire* is a prerequisite for recognition of the system and products that need to be introduced into the European Union market.

The signature of ACAA/PECA agreement for individual groups of products implies that capacity of conformity assessment bodies would be built for issuance of conformity documents that would be recognized in the territory of Internal Market of the European Union. Regarding the ACAA/PECA agreement, following the identification of key sectors, analysis will be conducted of harmonization of legislation with *acquis communautaire* in the respective area, as well as regarding the existence of the required infrastructure for implementing the law in the fields of standardization, accreditation, metrology, and conformity assessment.

3.1.1.4. Metrology

Legislative framework

The Law on Metrology („The Official Gazette of Serbia and Montenegro“, No. 44/05), was adopted in Serbia and Montenegro. Unlike the previous Law on Measurement Units and Measures, the Law on Metrology regulates mostly the field of legal metrology and is not complete because of the situation in

Serbia and Montenegro. Penalty provisions are missing and the Law is inapplicable in many areas. There are also numerous imprecise paragraphs and legal gaps. Based on the Law, a Regulation was adopted on legal measurement units („The Official Gazette of Serbia and Montenegro“, No. 10/06) which is fully harmonized with Directive (80/181/EEC) on the approximation of the laws of the Member States relating to units of measurement and on the repeal of Directive 71/354/EEC”. Two general by-laws have been adopted, but the field of metrology has mostly remained unregulated, because the old law is no longer applied but there are no new solutions for individual issues. The Law is not harmonized with *acquis communautaire*. There is insufficient harmonization in defining the field of legal metrology, type of certification of measures and delegation of responsibilities.

The new Law has recognized the organization for metrology that will continue the activities of the former Institute for Measures and Precious Metals that existed for over 130 years. The competency of the organization for metrology is not fully defined, and some competencies have been transferred to the ministry responsible for metrology. In such re-distribution of competencies, some competencies have not been made accurate enough and some are even impossible to implement. The Institute for Measures and Precious Metals will remain the organization for metrology with its organizational units.

Institutional framework

Based on the Regulation on financing the competencies that were delegated to the Republic of Serbia from Serbia and Montenegro, the republic of Serbia continues to finance the Institute for Measures and precious Metals as the organization within the Government of the republic of Serbia.

Under the Law on Ministries, metrology is within the responsibility of the Ministry of Economy and Regional Development. The Directorate for Measures and Precious Metals was formed as an administrative authority within this ministry, with competencies stemming from the law regulating metrology. The Directorate took over all activities of the Institute for Measures and Precious Metals, but by its position in the state administration (directorate) may not take over all the necessary competencies that belong to the institutes within the Government. The Directorate’s competencies were reduced by the adoption of the Law on Metrology and were later also limited by alterations of the status of the administrative authority. The position of the Directorate does allow the proper and efficient taking over of obligations from the European partnership and transposition of directives of the new and old approach to the existing or amended legal framework.

The training and technical assistance were undertaken through seminars and workshops within the CARDS 2002 and 2006 programs, both national and regional. The equipment from CARDS 2002 program considerably improved the possibilities for calibration and measurement. Serbia is a member of the 1987 Metar Convention and a signatory of CIPM MPA. Serbia is a member of OIML and a signatory of MAA. Serbia is a founding member of EURAMET. Until the signature of SAA, it is not possible for Serbia to become an associate member in WELMEC.

Short-term priorities (2008-2009)

Legislative framework

It is necessary to adopt the new Law on Metrology, which will regulate the entire field of metrology and define the model of the Serbian metrology system. The Law would define the form and competence of the central metrological organization and allow the directives in metrology to be fully transposed into the national regulations. The deadline for adopting the Law on Metrology in the National Assembly is the second quarter of 2009.

For drafting the new Law on Metrology it is extremely important for Serbia to have the status of associate member in WELMEC. The Regulation on Metrology Conditions for Scales with Non-

automatic Functioning of classes I, II, III, and IIII has been harmonized with OIML R 76 and mostly harmonized with Directive on non-automatic scales (NAWI).

Institutional framework

The position of the national metrology institution needs to be harmonized with the new Law on Ministries, so that it remains a government authority and to allow the implementation of all competences prescribed in the new Law on Metrology. Capacity of this institution will be built, and by their research and development work metrologists will master new technologies that underlie metrology regulations and their implementation.

Medium-term priorities (2010-2011)

Legislative framework - 3.1.3.9 Non-automatic measurement instruments; 3.1.3.10 Measurement instruments – referred to under subtitle Metrology

The plan is to adopt general by-laws and to harmonize national regulations with directives on metrology. Measurement types that are covered by legal metrology will be harmonized with directives and national needs. Directive on measurement (MID) will be transposed into the national legislation. Regulations on pre-packaged products will be harmonized with directives: 75/106/EEC, 75/107/EEC, 75/324/EEC, 76/211/EEC and 80/232/EEC and WTO/TBT. The deadline for adoption of by-laws is the second quarter of 2011. The implementation of these regulations will depend on Serbia’s status in the European Union accession process.

Institutional framework

The national metrology organization will be developed in such a manner as to meet the needs of the economy and society at large for calibration, testing of types and certification of measures. Its capacity will be built so that it can implement Directives on Measures (MID) and Directives on Non-automatic Scales (NAWI), and for certain measures for which there is interest in the economic sector. It should also perform the function of the National Notified Body. Only a developed and strong national metrology organization can draw up regulations harmonized with *acquis communautaire* and ensure their implementation in conformity with WELMEC.

Administrative capacities

The employment and training plan:

Table 1

Employment needs of government institutions

Table 1 – Employment needs of government institutions

Name of the institution	State whether the institution is existing or planned	The present number of employees	The planned (total) number of employees (by year)					
			2008	2009	2010	2011	2012	
Institute for Standardization	Existing	77	97					
Total								

3.1.1.4.4. Financial needs

Table 2A Needs of Directorate for measures and precious metals

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities					
Development of institutions (premises, staff, equipment...)	5.3 M€	6.0 M€	7.0 M€	8.0 M€	9.0 M€
Infrastructure					

Table 2B Budget of the Directorate for measures and precious metals – domestic source

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities					
Development of institutions (premises, staff, equipment...)	3.3 M€	4.0 M€	5.5 M€	6.0 M€	7.0 M€
Infrastructure					

*Table 2C Budget of the Directorate for measures and precious metals – foreign source
(Twinning, technical assistance, IPA/bilateral)*

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities <i>(policy)</i>					
Development of institutions (premises, staff, equipment...)	2.0 M€ technical assistance	2.0 M€ technical assistance	1.5 M€ IPA	2.0 M€ IPA	2.0 M€ IPA
Infrastructure					

3.1.1.5. Market supervision – product safety

Legislative framework

The Draft Law on General Product Safety, which regulates the safety of products which are sold in the market, the criteria for conformity assessment of products with general safety requirement, obligations of producers and distributors, conditions and methods for providing and exchanging information related to risks for health and safety of consumers and other users, as well as supervision, was submitted to the National Assembly on 3 December 2007 for adoption.

The Constitutional basis for adopting the Law on General Product Safety is contained in Article 97, item 6 of the Constitution of the Republic of Serbia („Official Gazette of the RS“, No. 89/06), which stipulates that the Republic of Serbia regulates and ensures, inter alia, a common market, legal position of business operators and the system of performance of individual economic and other activities.

The main reason for adopting this law is the need to ensure a high level of protection of health and security of consumers who consume such products, as well of other users who use those products for their purposes, namely in the performance of their professional activities. This law will ensure that only safe products are marketed and will prevent production, imports and marketing of fraudulent products, but also their exports.

This Law to a considerable extent transposes the provisions of EC Directive on general food safety (2001/95/E3), and fully transposes the EEC Directive on fraudulent products (87/357/EEC).

Of importance for safety of products are also special laws regulating products safety issues: The Law on Consumer Protection („Official Gazette of the RS“, No. 79/05) and The Law on the Conditions for Trade in Goods, Provision of Services and Inspection Supervision („Official Gazette of the RS“, Nos. 39/96, 20/97, 46/98, 24/99, 33/99, 34/01, 80/02 and 101/05).

Institutional framework

The field of products safety is within the competence of the Ministry of Trade and Services (legislative role).

The implementation of this law is supervised by the respective ministries, in compliance with the law and other regulations on organization and scope of work of the public administration.

The inspection supervision over the implementation of the provisions of this law regulating fraudulent products is carried out by the ministry responsible for health care through responsible inspectors.

The responsible customs authority shall not allow imports of products, or series of products which are not accompanied by the prescribed documentation on harmonization with product safety requirements, namely which are not marked by the prescribed label on conformity with product safety requirements.

The Market Inspection Department has the total of 570 employees, of which 519 are market inspectors with university degree (of economic, law, technological, economic, technical, mechanical engineering, electric-technical and agricultural orientation), 41 market inspectors with higher school diploma and 9 administrative workers with secondary school skills. The department is headed by assistant minister – the main market inspector.

In the seat of the Department of Market Inspection, within the Ministry for Trade and Services, two divisions have been established: Division for Coordination in the Field of Control of Trade in Goods and the Division for Coordination in the Field of Control of Services, Prevention of Disloyal Competition and professional activities relating to inspection supervision. The direct inspection supervision on the ground is performed by the Department for Market Inspection through internal units – Divisions of Market Inspection as district units. It has a total of 27 units outside the seat of the Ministry.

Short-term priorities (2008 - 2009)

Legislative framework

In 2007, the Government established the Draft Law on General Product Safety and submitted it to the National Assembly on 3 December 2007 for adoption. It is expected to be adopted by the end of 2008.

Following the adoption of the Law on General Product Safety, the plan is to draw up by-laws which will more closely prescribe

the method of establishment and work of the system of rapid exchange of information and appoint the authority responsible for unification and distribution of information related to serious hazards, as well as to other risks posed by hazardous products for health and security of consumers and other users,

the method and procedure for informing the EC Commission through the RAPEX system on the serious risk that a hazardous product poses and on the measures taken,

- acts of manufacturers and distributors relating to the implementation of the EC Commission, as well as the regulation that more closely regulates the contents of information submitted by manufacturers and distributors and contents of orders of the competent authority to manufacturers and distributors on procedures and measures taken in order to remove or eliminate or reduce risks posed by products that are to be delivered or have already been delivered to the market
- methodological instructions for the implementation of this law

Technical assistance is required in drafting the Government Acts.

The responsible institution: Ministry of Trade and Services.

Institutional framework

Capacities of the Ministry of Trade and Services will be strengthened by further training of employees and procurement of equipment, relating to implementation of the Law on General Product Safety.

By the end of 2008, the plan is to employ two (2) more officers on full time basis.

Medium-term priorities (2010-2011)

Legislative framework

The plan is to adopt by-laws that will be in conformity with the European Commission Recommendation of 27 November 1992, calling on the member states to establish the required infrastructure for identification of hazardous products on external borders (31992H0579), and Council Regulation 339/93 of 8 February 1993 on testing of conformity with regulations on product safety in case of products imported from third countries (31993R0339).

Administrative capacities

Capacities of the Ministry of Trade and Services – Department for Market Inspection, will be strengthened in accordance with the following dynamics:

The employment and training plan:

Table 1 Employment needs of government institutions

Name of the institution	State whether the institution is existing or	The present number of employees	The planned (total) number of employees (by year)
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	planned		2008	2009	2010	2011	2012
Ministry of Trade and Services – Market Inspection Department	Existing	570	572	600	612	624	630

3.1.1.5.4. Financial needs

Table 2A Needs of the Ministry of Trade and Services – Market Inspection Department

	<i>in 2008</i>	<i>in 2009</i>	<i>in 2010</i>	<i>In 2011</i>	<i>in 2012</i>
<i>Activities (policy)</i>	5800	5800	5800	7000	7000
<i>Development of institutions (premises, staff, equipment..)</i>	524000*	84000	84000	106000	106000
<i>Infrastructure (roads, railway...)</i>					

Table 2B Budget of the Ministry of Trade and Services – local source

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities (policy)	5800	5800	5800	7000	7000
Development of institutions (premises, staff, equipment..)	24000	24000	24000	35000	35000
Infrastructure (roads, railway...)					

Table 2C Budget of the Ministry of Trade and Services – foreign source

	<i>in 2008</i>	<i>in 2009</i>	<i>in 2010</i>	<i>In 2011</i>	<i>in 2012</i>

<i>Activities (policy)</i>					
<i>Development of institutions (premises, staff, equipment..)</i>	500000*	60000	60000	71000	71000

Note:

- - If we have the information that in the course of this year they will announce a tender for equipment for the Market Inspection Department for the purposes of providing the infrastructure for rapid exchange of information of unsafe products.

MARKET SUPERVISION OF THE MARKET - APPROXIMATION OF REGULATIONS IN THE FIELD OF SERVICES

Financial needs

Year	2009	2010	2011	2012
Finances (in euros)	200,000	200,000	200,000	200,000

3.1.2 Directives of the old approach

In the field to which directives of the „**Old approach**” relate (e.g. chemicals, textile products, pharmaceutical products and motor vehicles), the request is to work on deregulation in legislative modernization, for the purposes of providing minimal safety standards by undertaking horizontal and vertical measures, while placing emphasis on issuance of permits before release for sale and with subsequent monitoring of the market by sectors that are being regulated. In the old approach, the harmonization is complete. The Directive is complete, comprehensive. The *acquis communautaire* gives a full definition of the product, e.g. crystal textiles.

3.1.2.1. Motor vehicles

Legislative framework

The Law on Basic Traffic Security and the Law on International Road Transport in make up the legal framework related to motor vehicles.

Institutional framework

The Ministry for Infrastructure is the institution responsible for motor vehicles.

Short-term priorities (2009-2010)

The priority is to adopt the new Law on Traffic Safety in the course of 2008. Based on this Law, the adoption is envisaged, *inter alia*, of new by-laws in the field of motor vehicles, namely homologation of vehicles and their parts and equipment.

The cooperation up to now in the field of road motor vehicles was mostly with the Department for Homologation, of the Serbian Institute for Standardization (ISS). Based on the valid Law on Standardization, the Serbian Institute for Standardization performs its function in the field of proposing and implementing standards, whereas homologation activities in conformity the EU practice have been exempt from the Institute's competence. Considering the basic purpose of the Serbian Institute for Standardization (ISS), as well as good practice from the EU countries (in which homologation of motor vehicles is within the competence of the ministry responsible for transport), the plan was for the Ministry of Infrastructure to take over the Division for Homologation of Motor Vehicles. The Division for Homologation has 5 employees, and bearing in mind the complexity of operations, as well as the requirements for implementation of regulations on motor vehicles, this number is insufficient for meeting the obligations in this field in line with good practices and standards in the EU countries:

Capacity building of the Ministry for Infrastructure:

Multi-sectoral studies on transport security (the World Bank) were prepared and implemented. The projects that are directly linked with modernization of the motor pool include creation of data bases on vehicles, introduction of digital taxographs, modernization of the motor pool and vehicle homologation system.

The number of persons employed in the Department for Transport would be increased by 5 in 2009. Namely, the Division for Homologation that now functions within the Institute for Standardization (ISS) would be taken over. No additional finances are required for this. The number of five persons employed in the Division for Homologation would as of 2010 be increased by 3 in order to be able to meet the requirements relating to harmonization, improvement and implementation of regulations pertaining to motor vehicles.

Short-term priorities (2010-2011)

In a short-term period, it is planned further to monitor and harmonize the legislation with the EU legislation in the field of motor vehicles.

3.1.2.2. Chemical products and detergents

Legislative framework

The applicable law that regulates chemicals as a product is the Law on the Production and Trade in Poisonous Substances (the Official Gazette of the Federal Republic of Yugoslavia no. 15/1995, 28/1996 and 37/2002).

This law refers to substances of natural or artificial origin and compounds produced from these substances that can harm people's life and health, i.e. the environment, which actually extends the application of this law to all dangerous chemicals, and not just poisons.

The law also envisages that poisonous substances must be classified before their production, i.e. placement on the market, and that the classification be made into three groups.

Legal entities that intend to produce i.e. market poisonous substances must fulfill the envisaged requirements and obtain approval therefor from the relevant ministry.

The implementation of this law shall be supervised by environmental protection inspectors.

The law has not been harmonized with the EU regulations.

Institutional framework

The field of chemicals falls within the competence of the Ministry of Environmental Protection which is, according to Article 17 of the Law on Ministries (the Official Gazette 43/2007), responsible for the management of chemicals. This field is dealt with within the Management and Planning Sector in the Chemicals Department.

The Chemicals Department has 12 employees and 2 persons employed on a service contract.

Of the 12 employees, 9 are experts, 2 are trainees and one is a technician. Seven of them are chemists, two are technologists, one is a physical chemist, one is a doctor and one is a lawyer. One chemist and the lawyer are employed on a service contract.

Former training

During the project regarding “Assistance in Drafting Environmental Laws in Southeastern Europe”, which was implemented by the Regional Environmental Center for Central and Eastern Europe, the creation of regulations was assisted by legal experts from the University of Bremen. Likewise, within this project, 4 ministry employees were trained with regard to legislative and institutional measures in the field of chemicals management in Slovenia, during a study visit to the Slovene Chemicals Bureau. During the project, a visit was organized to the European Chemicals Bureau where 2 employees were acquainted with the operations of this expert body of the European Commission.

Also, during the creation of these regulations, two TAIEX seminars were organized, one on biocides and the other on the REACH transposition (the new EU regulation on chemicals), the institutional arrangement for chemicals management and the creation of an electronic base of chemicals on the market.

A project of building capacities in the field of chemicals management, which should be implemented together with the Swedish Chemicals Agency and financed by the Swedish government, has also been prepared. The project is in the last phase before its signing and it is envisaged to last 3 years.

Also currently underway is a project of building capacities in the field of chemicals management, which is financed from the funds of the European Commission – the IPA project. The project is to begin at the end of 2009 and last 2 years. The project will represent a logical follow-up to previous project with the Swedish Chemicals Agency but it will also be different because it will include more advanced training courses of the already established institution for chemicals management.

Within the Chemicals Department, a Project on the drafting of a Plan for the implementation of the Stockholm Convention on long-term organic pollution substances is being drawn up. Apart from creating an implementation plan as preparation for the ratification of this Convention, this project is aimed at improving the capacities for the implementation of the Stockholm Convention.

Apart from this project, the Chemicals Department is also implementing a project on “Updating the National profile for chemicals management, the development of an assessment of national capacities for the Strategic Approach to International Chemicals Management - SAICM and the holding of a seminar on the establishment of national priorities for SAICM in Serbia”. This project creates a basis for adopting an integral approach to the management of chemicals through their entire life cycle and for establishing adequate interdepartmental cooperation between the relevant government bodies, the non-governmental sector, the industry and the scientific research sector.

1.1.1.2 Short-term priorities (2008-2009)

Legislative framework

A Draft Law on Chemicals and a Draft Law on Biocides have been prepared and they are expected to be defined by the Government and delivered to the National Assembly for adoption in the third quarter of 2008.

A) the Draft Law on Chemicals defines the requirements for the marketing, import and export, use and other handling of chemicals, such as: classification, packing, marking and warehousing of chemicals; inventory of produced and imported chemicals; production, placement on the market and use of substances that give cause for concern; restrictions and bans; import and export; licenses for the performance of operations issued to persons who import, distribute or use especially dangerous chemicals; placing detergents on the market; systematic monitoring of chemicals; availability of data; supervision and other issues of importance for chemicals management.

The law also envisages the establishment of a Chemicals Agency.

The reason for the adoption of this law is the need to regulate the area of chemicals management in accordance with the EU regulations.

The law contains authorizations for the adoption of some 30 by-laws.

The harmonization of this law with *acquis communautaire*

- 1) The law has been partly harmonized with EC Rules no. 1907/2006.

This lack of harmonization refers to part of new Rules (EC) no. 1907/2006 (hereinafter referred to as REACH), which envisages the procedures conducted by the European Chemicals Agency in a centralized way, such as registration, evaluation and authorization.

The law has, however, been harmonized with other parts of REACH and the introduction of certain domestic procedures makes this law a basis for the preparation of our economy for obligations arising from this EU regulation, at the moment of our country's accession to the EU.

- 2) The law has been fully harmonized with the following EU regulations: EEC Directive no. 67/548; EC Directive no. 99/45; EC Directive no. 2004/42; EC Rules no. 304/2003 and EC Rules no. 648/2004.

B) **the Draft Law on Biocides** defines the requirements for placing on the market and using the active substance in the biocide product and the biocide product, such as: the decision regarding its placement on the market; the checking and distribution of data; research and development; classification, packing, marking, advertising and the safety data sheet; the inventory of biocide products; supervision and other issues of importance for the safe marketing and use of biocide products.

The reason for the adoption of this law is the need to regulate this area in accordance with the EU regulations.

Based on this law, it is necessary to adopt more than 10 by-laws.

The harmonization of this law with *acquis communautaire*

The law has been partly harmonized with Directive 98/8/EC.

This draft law uses solutions from Directive 98/8/EC on placing biocide products on the market and introduces a license for placing biocides on the market.

It has also been envisaged that a positive list of active substances be taken from the same regulation given the fact that this procedure is implemented at the EU level, i.e. that it is implemented by a body of the European Commission responsible for this area. For this reason, the draft does not envisage a procedure for the inclusion of active substances in the positive lists.

The law has been fully harmonized with the following EU regulations: EC Rules no. 1896/2000, EC Rules no. 1687/2002, EC Rules no. 2032/2003, and EC Rules no. 1048/2005.

Regarding the Draft Law on Chemicals, within short-term priorities related to legislative activities, it is planned to prepare basic by-laws, such as:

1. Rules on the classification, marking and packing of chemicals;
2. Rules on precise conditions for keeping dangerous chemicals in the sale space and the way of marking such space;
3. Rules on the manners of maintaining an Integral Inventory of Chemicals and an Inventory of Chemicals;
4. Instructions on the manner of keeping chemicals records;
5. Rules on a chemicals advisor and the requirements that a legal or physical entity that performs the training and control of knowledge of a chemicals advisor must fulfill;
6. Rules on banning and restricting production, placement on the market and the use of substances, preparations and products that pose an unacceptable risk to people's health and the environment;
7. Rules on prior information procedure and the procedure for obtaining consent based on prior information (PIC procedure);
8. Rules on especially dangerous chemicals;
9. Instructions on establishing preventive measures that are entered into the license for pursuing import and distribution activities, i.e. entered into the license for using especially dangerous chemicals;
10. Rules on detergents;
11. Decision on the amount of fees for procedures conducted by the Chemicals Agency established in the Law on Chemicals.

According to the Draft Law on Biocides, one of the short-term priorities is the adoption of the following by-laws:

- Rules on the types of biocides;
- Instructions on the contents of the application form and the contents of basic biocide data for the purpose of obtaining a license;
- Rules on the volume and contents of technical documentation for a biocide product, i.e. a low-risk biocide product;
- Rules on the principles of biocide evaluation and the requirements for placing biocides on the market;
- Rules on the specific requirements for packing, marking and advertising of biocides;
- Rules on the manner of delivering data and keeping records on biocides trade;
- Decision on the amount of fees for procedures conducted by the Chemicals Agency established in the Law on Biocides;

Institutional framework

The Law on Chemicals envisages the establishment of a Chemicals Agency as an independent developmental, expert and regulatory organization that exercises public authorizations established by the said law and the Law on Biocides.

The Agency shall be established within a period of six months from the adoption of the Law on Chemicals.

The Agency shall be financed from the funds generated from the fees for operations envisaged by the Law on Chemicals and the Law on Biocides.

The Agency shall take over the employees engaged in the Chemicals Department of the Ministry of Environmental Protection.

In this period, apart from the establishment of the Chemicals Agency, the professional knowledge of the employees shall be improved by drawing up by-laws and international projects for capacity building.

1.1.1.3 Mid-term priorities (2010-2012)

Legislative framework

Adopt other by-laws envisaged by the Law on Chemicals and the Law on Biocides, such as:

- Rules on examination methods for the purpose of hazard assessment in the procedure of chemicals classification and other acceptable ways of establishing the characteristics of a chemical;
- Rules on the manner of evaluating chemical safety, the contents of a report on chemical safety.
- Instructions on the manner of evaluating chemical safety;
- Instruction on the creation of technical documentation for a biocide product and a low-risk biocide product;
- Instructions on practical procedures for the evaluation of biocides based on technical documentation;
- Rules on the methods of checking the efficiency of biocides;
- Rules on the contents of a request and the summary of technical documentation and the requirements for marketing and use of biocides that receive approval for placement on the market from an EU member country;
- Rules on the maximum allowed quantity of leftover biocide and the special requirements for a systematic monitoring of exceeding the maximum allowed quantity of leftover biocide.

Administrative capacities

Institutional framework

Improving professional knowledge in the field of chemicals management and increasing the number of employees performing these jobs.

Table 1

State institutions' employment needs

Institution name	Say whether the institution is	Current number of	Planned (total) number of employees (per year)
------------------	--------------------------------	-------------------	--

	existing planned	or	employees	2008.	2009 ¹¹	2010	2011	2012
Ministry of the Environment	Existing		12	13	/	/	/	/
Chemicals Agency	Planned		/	/	13	15	15	18

Financial needs

Table 2A¹² Needs

	in 2008	in 2009	in 2010	in 2011	in 2012
Project for drafting a Plan for the implementation of the Stockholm Convention on long-term organic pollution substances (POPs project)	191,713 USD				
Project for updating the National profile of chemicals management, developing the evaluation of national capacities for Strategic Approach to International Chemicals Management and the holding of a seminar on establishing national priorities for Strategic Approach to International Chemicals Management in Serbia (SAICM project)	20,000 USD				
Project for strengthening administrative capacities for implementing a system of chemicals management in Serbia, implemented by the Swedish Chemicals Agency and financed by the Swedish government (KEMI project)	179,000 EUR	179,000 EUR	179,000 EUR		
Capacity building project (state authorities, industry, scientific research centers) for chemicals management, IPA draft project 2008			750,000 EUR	750,000 EUR	
Drafting of by-laws related to laws on chemicals and biocides					
Establishing and updating a data base and an integrated information system for chemicals management					
Implementation of regulations in the field of chemicals					

¹¹ The number of employees is given only for illustration purposes

¹² Table "2A" represents a sum of funds given in table "2B" and table "2B"

and biocides management					
Building institutions (rooms, people, equipment, etc.)					
Infrastructure ¹³					

Note:

State the amount in EUR for each year separately.

In case of foreign support, specify the foreign support

Table 2B Budget – domestic source

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities					
Building institutions (rooms, people, equipment, etc.)					
Infrastructure					

Table 2B Budget – foreign source (Twinning, technical assistance, IPA/bilateral)

	in 2008	in 2009	in 2010	in 2011	in 2012
Projects (policy)					
KEMI project	179,000 EUR	179,000 EUR			
POPs project	211,713 USD				
SAICM project			929,000 EUR		
KEMI project IPA 2008				750,000 EUR	

¹³ Building facilities in the areas where it is possible to specify it: roads, airports, railway, infrastructure works, “the Schengen border”, etc.

Building institutions (rooms, people, equipment, etc.)					
Infrastructure					

Ministry of the Interior (MOI)

Employment and training plan:

Table 1

State institutions' employment needs

Institution name	State whether the institution is existing or planned	Current number of employees	Planned (total) number of employees (per year)				
			2008	2009 ¹⁴	2010	2011	2012
MOI – Protection and Rescue Department	Existing	3031					

Note:

It is planned to increase the number of employees by some 20% per year, given the fact that a large number of workers have retired.

3.35.1.3.3 Financial needs

Table 2A¹⁵ Needs of the Ministry of Trade and Services

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities/ ¹⁶					
Formulate a national strategy of	100,000				

¹⁴ The number of employees is given only for illustration purposes

¹⁵ Table “2A” represents a sum of funds given in table “2B” and table “2B”

¹⁶ Additional expenses incurred as a result of regulation implementation that are not direct administration costs, e.g. social welfare, assistance to consumer protection organizations, assistance to non-governmental organizations, etc.

protection and rescue activities in emergency situation					
Draft basic laws in the area of protection and rescue activities in emergency situations	100,000				
Draw up a study for an integral hazard and vulnerability assessment of facilities and territory regarding acts of god, fire and technological dangers in the production, warehousing, transport and use of dangerous and harmful substances	1,000,000				
Develop action plans in emergency situations	500,000				
Organize professional services that are activated in emergency situations	5,000,000				
Equip fire and rescue units and build and reconstruct facilities for their accommodation	50,000,000				
Establish and equip training centers for fire and	2,500,000				

rescue units and members of civilian protection					
Foreign language training	100,000				
Encourage citizen's activities, non-governmental and non-profit organizations	1,000,000				
Educate and train rescue unit members in providing paramedical assistance	100,000				
Modernize curriculums in educational institutions that provide emergency protection training and other schools and faculties	100,000				

3.1.2.3. Pharmaceutical products, medical devices, medical devices for active implantation and *in vitro* medical devices for diagnostics

Legislative Framework

Field of medicines and medical accessories is regulated and defined by Medicines and Medical Accessories Law (The Official Gazette of the Republic of Serbia, „Official Gazette of RS“ No .84/04 and 85/05 etc.), which came into force on August 01. 2004, thus abrogating The Law on production and trade of The Official Gazette of the FR Yugoslavia“ No.18/93).

This law defines conditions of production, marketing and testing of medicines and medical accessories used in human and veterinary medicine, supervision in these areas, conditions and proceedings for obtaining the permission for marketing medicines and medical accessories, and other issues relevant to this area. Agency for medicines and medical accessories, working as a legal entity, is founded by law for purpose of obtaining safe, quality and available medicines and medical supplies.

In accordance with this law, the following by-laws come into force:

1. Rulebook on Contents of license for medicines marketing and trading („Official Gazette of RS“ No. 93/05);

2. Rulebook on Conditions for obtaining the medicines trading license („Official Gazette of RS“ No 93/05);
3. Rulebook on Contents of license for medical accessories marketing and trading („Official Gazette of RS“ No 93/05);
4. Rulebook on Conditions for obtaining the medical accessories trading license („Official Gazette of RS“ No 102/06);
5. Rulebook on Conditions of advertising medicines and medical accessories („Official Gazette of RS“ No 99/06);
6. Rulebook on Monitoring, collecting and registration of undesirable reactions to medicines („Official Gazette of RS“ No 99/06);
7. Rulebook on Conditions of clinical testing of drugs and contents of approval for clinical testing of drugs („Official Gazette of RS“ No 19/07);
8. Rulebook on Conditions of medicines manufacturing („Official Gazette of RS“ No 27/08);
9. Rulebook on Conditions of drug and medical accessories wholesale marketing and trading („Official Gazette of RS“ No 27/08);
10. Rulebook on Conditions for retail trading the medical accessories in specialized stores („Official Gazette of RS“ No 27/08);
11. Rulebook on Contents and labeling the inner and outer drug packaging and contents of instruction for medicine use („Official Gazette of RS“ No 27/08);
12. Rulebook on Clinical testing of medicines used only in veterinarian medicine („Official Gazette of RS“ No 24/08).

According to Article 29. section 2. of Medicines and medical accessories law („Official Gazette of RS“ No. 84/04 и 85/05 etc.) there were several documents published in the Official Gazette of the Republic of Serbia no 28/08: Guidelines for Proper manufacturing practice, Proper laboratory practice, Proper drug distribution practice and proper clinical practice in clinical testing.

Following laws are also significant for field of medicines and medical accessories:

The law on general administrative procedure („The Official Gazette of FRY“ No 33/97, 31/2001 and „The Official Gazette of SCG“, No 1/2003), defining actions of bodies and agencies in proceedings of licensing the drug and medical accessories production and marketing, monitoring and other proceedings with Medicines and medical accessories Agency.

Health protection law (“Official Gazette of RS“ No 107/05), defining issues concerning public health protection, concern for public welfare and general public health welfare;

Advertising law („Official Gazette of RS“ No. 79/05) which, among other things, commonly defines the issue of drug advertising.

Although these laws only partially define medicine and medical accessories issues, considering the fact that it is not their field of expertise, it is necessary that all laws be brought into accord with one another to the fullest extent possible.

Medicines and medical accessories law does not stand in full accordance with

acquis communautaire. Concerning the field of drugs used in human medicine, this law is mostly in accordance with the Directive 2001/83/EC. The law is also in accordance with Directive 2001/82/EC, concerning the usage of drugs in veterinarian medicine.

Discrepancies can be found in parts of the above mentioned Directives referring only to members of the European Union.

The field of medical accessories is partially in accordance with Directives 90/385/EEC, 93/42/EEC, 98/79/EC. Discrepancies refer to issuing of license for trading medical accessories, because the abovementioned Directives do not deal with issuing of medical accessories trading licenses but only their filing and registering.

Institutional framework

Field of medicines and medical accessories used in human medicine falls under the jurisdiction of Ministry of Health (preparing bill and amendment drafts, putting by-laws into force, issuing licenses for medicines and medical accessories production and trading, monitoring the implementation of Medicines and medical accessories law and regulations concerning its implementation, bringing criminal charges, charges for economic thefts and embezzlement, etc.) and Medicines and medical accessories Agency (issuing the licenses for medicines and medical accessories trading, licenses for clinical testing of medicines and medical accessories, monitoring of the undesirable reactions to medicines and medical accessories, laboratory control of medicines and medical accessories quality, approving the import of unregistered medicines and medical accessories, etc.), bearing in mind that Medicines and Medical Accessories Agency's work is entrusted, except for lab control of medicines and medical accessories quality.

The field of medicines and medical accessories used in veterinarian medicine falls under the jurisdiction of Ministry of Agriculture and Medicines and medical accessories Agency.

In accordance with Article 21. of The Law on Ministries („The Official Gazette of RS”, No. 48/07), Ministry of Health is governing the field of medicines and medical accessories production and trade and relevant inspection tasks. According to the Medicines and medical accessories law („Official Gazette of RS“ No.84/04 and 85/05), issuing licenses for human medicines and medical accessories production and trade, both wholesale and retail, together with monitoring the implementation of the law, falls under the jurisdiction of Ministry of Health. Law provides the Minister with legislating the by-laws and bringing forth the Guidelines for Proper manufacturing practice, Proper laboratory practice, Proper drug distribution practice and proper clinical practice in clinical testing.

Field of medicines and medical accessories, regulated by the Medicines and medical accessories law, falls under the jurisdiction of Sector for medicines and medical accessories, Department of medicines and medical accessories inspectorial monitoring and supervision, operating under the Ministry of Health. Medicines and medical accessories Sector was established only in 2007, and before that period the Medicines and medical accessories inspectorial monitoring and supervision Department operated within the Health insurance and financing Sector. Seven inspectors currently work in Medicines and medical accessories inspectorial monitoring and supervision Department.

Medicines and medical accessories inspectorial monitoring and supervision Department is performing following tasks: inspection in the field of medicines and medical accessories manufacturing, trade and testing; implementation of EU standards for the purpose of accessing The Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme (PIC/S); keeping the database of subjects involved in manufacturing, trade and research in the field of medicines, medical accessories and Galenical laboratories, and other related tasks.

Medicines and medical accessories Agency is responsible for licensing the medicines and medical accessories trade, their quality control, issuing licenses for medicines and medical accessories clinical testing, monitoring the undesirable reactions to medicines and medical accessories, and other businesses defined by the Medicines and medical accessories law. The Agency is legal entity, working in

accordance with public services regulations, performing all tasks as entrusted, except medicines and medical accessories laboratory quality control and providing information and suggestions for rational application of medicines and medical accessories.

Short-term priorities (2008-2009)

Legislative framework

On December 21. 2007. Minister of Health of Republic of Serbia issued the Decision of forming a task force for writing the amendments on Medicines and medical accessories law. Following tasks were put forward :

- participation in TWINNING project, activity 1.6 – bringing into accord domestic and the EU regulations;
- defining the medicines and medical accessories areas to be brought into accord with the EU regulations;
- putting forward new amendments on Medicines and medical accessories law, in accordance with the European Union legislature and regulations, no later than December 2008.

Until the end of 2008. new amendments on Medicines and medical accessories law should come into force, in the sense that they be in accordance with Directive 2004/24/EC, 2004/27/EC, concerning the medicines for human use, Directive 2004/28/EC, concerning the veterinarian medicines and Directive 2007/42/EEC, concerning the medical accessories use.

After these amendments on Medicines and medical accessories law come into force, current by-laws should also be revised and amended, or new by-laws should be brought forward.

Institutional framework

It is necessary to reinforce the resources of the Ministry of Health's Medicines and medical accessories Sector by increasing the number of inspectors and other personnel, organizing advanced training for the employees and acquiring necessary working equipment, in order to improve the monitoring of the state of play in medicines and medical accessories market, proposing measures for further advancement in field of medicines and medical accessories, according to needs of Republic of Serbia.

According to the proposal of systematization in 2008, the plan is to institutionally strengthen the Medicines and medical accessories Sector by forming Medicines and medical accessories Group, which would cooperate with the existing Medicines and medical accessories inspectorial monitoring and supervision Department. The Group itself will consist of three employees: two pharmacists or doctors and a lawyer, who would work on law proposals and other regulations concerning the field of medicines, medical accessories and pharmaceutical raw materials; implementation and realization of international cooperation in the field of medicines and medical accessories, drafting relevant proposals, monitoring and analysis of national medicines and medical accessories policy follow-through;

drafting detailed projects, analysis, studies and programs in the field of medicines and medical accessories manufacturing and trade; analysis and monitoring of European Union regulations and directives in the field of medicines and medical accessories, and other relevant businesses that would fall under jurisdiction of the Group.

It is also planned that Medicines and medical accessories inspectorial monitoring and supervision Department should be institutionally strengthened by increasing the number of inspectors from 7 to 10, according to the increased body of work, and by hiring 1 expert for ensuring system quality in Medicines and medical accessories Sector.

3.Mid-term priorities (2010-2011)

Legislative framework

Plans for the mid-term period include further monitoring and bringing into accord domestic and the EU law and legislature in the field of medicines and medical accessories.

Institutional framework

Ministry of Health's resources shall be improved and upgraded by taking in new employees, especially in the Medicines and medical accessories inspectorial monitoring and supervision Department, considering the fact that staff enlargement is not feasible in short-term period when the realistic needs are taken into account. Inspection in the field of medicines and medical accessories is to be divided in two – medicines inspection and medical accessories inspection.

3.1.2.4. Cosmetic products and safety of toys

Legislative framework

The Law on safety of foodstuff and articles of general use («The Official Gazette of SFRY», No. 53/91, «The Official Gazette of FRY», No. 24/94, 28/96, 37/2002, «Official Gazette of RS», No. 79/2005, 101/2005) and

The Law on Sanitary Supervision over foodstuff and articles of general use (The Official Gazette of SRS», бр. 48/77, 29/88, «Official Gazette of RS», бр. 44/91, 53/93, 67/93, 48/94, 101/2005)

Rulebook on Conditions concerning safety of articles of general use („The Official Gazette of SFRY“, No. 26/83, 61/84, 56/86, 50/89, 18/91)

The Law on Food Safety is going to suspend the two abovementioned laws upon coming into force

The Law on safety of articles of general use

The articles of general use:

- 1) cookware, cutlery and food wrappers and packaging;
- 2) toys for children;
- 3) products and accessories for personal hygiene, face and body care;
- 4) cleaning and sanitary products;
- 5) tobacco products and smoking kit.

Working sub-group no. 28 deals with **toys safety**.

The Law on safety of articles of general use should be in accordance with EU legislation incorporated in the following EU acts (*acquis communautaire*):

- Council Directive 88/378/EEC of 3 May 1988 on the approximation of the laws of the Member States concerning the safety of toys Corrected by 31988L0378R(01)
- 98/485/EC: Commission Recommendation of 1 July 1998 on childcare articles and toys intended to be placed in the mouth by children of less than three years of age, made of soft PVC containing certain phthalates (notified under document number SEC(1998) 738)
- 2001/579/EC: Commission Decision of 30 July 2001 on the publication of the reference of standard EN 71-1: 1998 „Safety of toys - Part 1: Mechanical and physical properties“, Clause 4.20(d) in accordance with Council Directive 88/378/EEC (Text with EEA relevance) (notified under document number C(2001) 1905)

- 2005/195/EC: Commission Decision of 9 March 2005 concerning the partial non-conformity of standard EN 71-1:1998 Safety of Toys - Part 1: mechanical and physical properties' with the essential safety requirements of Council Directive 88/378/EEC (notified under document number C(2005) 542) (Text with EEA relevance)
- Directive 2005/84/EC of the European Parliament and of the Council of 14 December 2005 amending for the 22nd time Council Directive 76/769/EEC on the approximation of the laws, regulations and administrative provisions of the Member States relating to restrictions on the marketing and use of certain dangerous substances and preparations (phthalates in toys and childcare articles) Corrected by 32005L0084R(01)
- 2007/184/EC: Commission Decision of 23 March 2007 concerning the publication of the reference of the standard EN 71-1:2005 Safety of Toys - Part 1: mechanical and physical properties regarding the technical requirements on hemispheric toys in accordance with Council Directive 88/378/EEC on the safety of toys (notified under document number C(2007) 1256) (Text with EEA relevance)
- 2007/224/EC: Commission Decision of 4 April 2007 concerning the publication of the reference of the standard EN 71-1:2005 Safety of Toys - Part 1: mechanical and physical properties regarding the technical requirements on projectiles with suction cups as an impact area in accordance with Council Directive 88/378/EEC on the safety of toys (notified under document number C(2007) 1460) (Text with EEA relevance)

Following special Laws are also important:

The Law on Ministries („Official Gazette of RS“, No.43/2007),

The law on general administrative procedure („The Official Gazette of FRY“ No. 33/97, 31/2001 and „The Official Gazette of SCG“, No. 1/2003),

Sanitary Supervision Law („Official Gazette of RS“, бр.125/2004),

Institutional framework

Consumer protection and Health protection fall under the jurisdiction of Ministry of Trade and Services (legislative and surveillance role) and Ministry of Health (also legislation and surveillance).

Ministry of Health is in charge of creating Health protection system and proposing legislature in the field of Health protection. In accordance with the Article 21. of Law on Ministries („The Official Gazette” of RS, No. 48/07), Ministry of Health is in charge of administrative work which includes: protection and promotion of citizens' health and monitoring health conditions and needs of the population; organization of health care and protection; health and sanitary supervision of spreading and movement of mass non-contagious diseases and contagious diseases; monitoring the safety of staple foods and articles of general use manufacturing and trade; control of hygiene and sanitary state of infrastructure and public transportation; sanitary supervision of persons and entities legally under the health supervision programme and supervision of devices and equipment used in performing jobs concerning sanitary supervision.

Short-term priorities (2008-2009)

Drafting the **Law on safety of articles of general use**, for the afore mentioned reasons..

Mid-term priorities (2010-2011)

Performing an analysis of coordination of other Laws and by-laws defining issues important for health protection.

Institutional framework

Resources of the Ministry of Health shall be upgraded, especially those of inspectorial departments and groups, because of the insufficient number of inspectors relative to needs of health protection of people and consumers. Advanced training of inspector shall be continued in all fields, especially those that fall under the provisions of Food safety Law.

3.1.2.5. Glass and wood

Legislative framework for enforcing the by-laws in the field of glass and wood constructions falls under the jurisdiction of the Ministry of Infrastructure. Plans in this area include adopting European Directives from corresponding areas.¹⁷

3.1.2.6. Textile

Legislative framework

Instructions concerning textile products in trade state that they must possess quality certificate dating from 1992.

Institutional framework

Ministry of Economy and Regional Development is in charge of transposing Directives in the field of textiles.

Mid-term priority (2011-2012)

Transposing Directives 97/74, 97/73, 96/73, and 73/44 EC in the form of Rulebook is mid-term priority, as well as further monitoring and coordination of domestic and the European Union legislature in the field of textiles.

3.1.2.7. Footwear

SRP standard G.B1. 035-refers to hide products labeling

Institutional framework

Footwear issues fall under the jurisdiction of the Ministry of Economy and Regional Development.

Mid-term priority (2010-2011)

Transposing Directive 94/11/EC in the form of rulebook, as well as further monitoring and coordination of domestic and the European Union legislature in the field of footwear.

3.1.2.8. Artificial fertilizers

Legislative framework

Fertilizers fall under the jurisdiction of Plants protection Law („The Official Gazette of FRY“ No. 24/98, 26/98 and „The Official Gazette of RS“ No. 101/2005), which defines conditions of trade (manufacturing, import and registration).

Rulebooks:

¹⁷ The text contribution on glass and wood from the Ministry of Infrastructure is missing

- Rulebook on trade, imports and sampling of fertilizers („The Official Gazette of FRY“, No. 59/2001),
- Rulebook on fertilizers testing methods („The Official Gazette of FRY“, No.. 60/2000 и „The Official Gazette of RS“, No.. 20/2005),
- Rulebook on production lines („The Official Gazette of FRY“, No.. 68/2001)
- Rulebook on packaging for pesticides and fertilizers and their disposal („The Official Gazette of FRY“, No.. 35/99).

B) Institutional framework

Ministry of Agriculture, Forestry and Water management's administration is in charge of policy-making in the field of fertilizers. The Administration currently consists of following members:

- 7 employees in the Administration headquarters, 3 of which work with Plant Protection and Nourishing Department, while 4 inspectors are in charge of work quality control, and
- 71 phytosanitary inspector - internal affairs phytosanitary inspectors distributed among 6 regional units and 34 border phytosanitary inspectors, distributed among 6 border stations (total of 105 phytosanitary inspectors), who also perform duties concerning environmental protection and accessories for plant protection.

Testing of fertilizers quality in the procedure of registration and control of imports and internal trade is performed by the laboratories of licensed organizations which make an integral part of scientific institutes and agricultural faculties (9 in total).

Short-term priorities – activities planned in 2008.

Activities planned for 2008. include bringing forth set of changes to the existing Rulebook on methods of fertilizers testing, in light of new circumstances that occurred after its coming into force. These changes would primarily address the inconsistencies between types of fertilizers, existing JUS standards for mineral fertilizers and European standards, i.e. tolerated deviations from declared values of nutritional elements content, and methods for their testing and sampling.

When the afore mentioned changes come into force, the existing Rulebook shall be in accordance with Appendices I, II и IV to the European Parliament and Council Statute No. 2003/2003/EIq dating from October 13. 2003. , concerning the types of mineral fertilizers, deviations and methods of sampling and testing mineral fertilizers, as well as European Parliament and Council Statute no. 1774/2002 dating from October 03.2002., concerning organic fertilizers manufactured from the byproducts of plant and animal origin not intended for human consumption.

Mid-term priorities – activities planned for 2009/2010

Legislative framework

Mid-term priorities for fertilizers legislation include further coordination with the European Union legislation, i.e. enforcing the Law on Accessories for Plant Nourishment and Soil Enrichment. Working version is currently being prepared for public debate, and its enforcing should take place in the second quarter of 2009.

New Law on Accessories for Plant Nourishment and Soil Enrichment defines classification, manufacturing, trade, import, testing and application of fertilizers in accordance with European Parliament and Council Statute 2003/2003/EIq dating from October 13. 2003. as well as the possibility of making conditions for trading with mineral fertilizers which does not meet the conditions defined by this Statute (mineral fertilizers which does not possess the label „EC FERTILIZERS“).

After the adoption of this Law, new by-laws shall also come into force, thus enabling its application, together with already changed and redefined Rulebook on methods for fertilizers testing:

- Rulebook on running the register/indexing of accessories for plant nourishment and soil enrichment,
- Rulebook on quality and labeling of accessories for plant nourishment and soil enrichment,
- Rulebook on manufacturing, trade and application of accessories for plant nourishment and soil enrichment,
- Rulebook on importing the accessories for plant nourishment and soil enrichment,
- Rulebook on handling the byproducts of animal origin not intended for human consumption,
- Rulebook on conditions that must be met by all licensed organizations for testing of accessories for plant nourishment and soil enrichment.

Upgrading the institutional and administrative resources

Plans for these activities include:

- enforcing new Rulebook on systematization and organization chart in Ministry of AFWM , proposing taking in new employees in the Management – in the Department of accessories for plant nourishment and soil enrichment, and Department of phytosanitary inspections, which shall enable drafting and application of sub legal regulations -BYLAWS in accordance with the new law,
- foreign aid when it comes to applying for ИПА programe, which shall include advanced trainings, study traveling and workshops for planing businesses, ogranization and controlling of administration staff working on indexing the accessories for plant nourishment and soil enrichment and lab staff of authorised organisations performing the quality control.

3.1.3. New approach directives

Obstacles that might stem from the versatility of national programmes were regulated in 1985 by the adoption of the new approach to technical harmonization. The content of directives can be brought down to defining essential demands which products must meet in order to appear on the European Union market. These essential demands concern the protection of general interests – protection of health and safety, and consumer and environmental protection. The respect of all demands, prescribed by the directives for certain products, ensures the free movement of goods in the market of the European Union. The logic of the new approach is adoption of a smaller number of less detailed directives.

3.1.3.1. Low voltage electrical equipment

Legal framework

Bearing in mind that the European Directive on Low Voltage Equipment – 73/23 EEC, 93/68 EEC refers to all electrical appliances and machines, that is, on all industrial products, it can be considered that it represents one of the horizontal directives of the new approach. The existing regulations included in the framework of this directive are the following:

POA 43/88 Order on the obligatory attestation of screw sockets for light bulbs with coil (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 43/88)

POA 43/88/3 Order on the obligatory attestation of switches for appliances (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 43/88)

POA 43/88/1 Order on the obligatory attestation of separation transformers and safety transformers (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 43/88)

POA 43/88/5 Order on the obligatory attestation of household electrical appliances (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 43/88)

POA 8/87 Order on the obligatory attestation of electrical appliances for household and similar uses (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 8/87)

POA 43/88/2 Order on the obligatory attestation of portable tools with electric motors (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 43/88)

Institutional framework

The Ministry of Economy and Regional Development is in charge of the implementation of the directive which refers to the low voltage electrical equipment. Also taking part in the implementation of the directive will be a number of bodies for evaluation of harmonization, engaged in the examination of the abovementioned products. The body for evaluation of harmonization “Niš Quality” covers a larger portion of this directive and acts within the International Scheme of Certification Bodies for Evaluating Groups of Electrical Products.

Short-term priorities (2009–2010)

In the second half of 2008, the Ministry of Economy and Regional Development will begin transposing the directive on low voltage equipment in the form of a rulebook on low voltage equipment.

Short-term priorities (2010–2011)

Ensuring institutional framework for the implementation of the directive, as well as for strengthening the capacity of bodies for evaluation of harmonization.

Further monitoring and harmonization of legislature with that of the EU.

3.1.3.2. Simple pressure containers

Legal framework

The pressure container area is partly covered by the Rulebook on technical normative for portable closed containers for compressed, fluid and under pressure dissolved gases (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 25/80, 9/86, 21/94, 56/95, and 1/2003).

Institutional framework

Bearing in mind that supervision of pressure containers and equipment is performed by the Ministry of Energy and Mining, the Ministry of Economy and Regional Development will together with the Ministry of Energy and Mining transpose the directive which refers to simple pressure containers.

Short-term priorities (2009–2010)

In the second quarter of 2009, the directive 87/404/EEC 90/488/EEC 93/68/EEC will be transposed in the form of a rulebook referring to simple pressure containers.

Short-term priorities (2010–2011)

All the necessary measures for authorizing bodies for evaluation of harmonization should be taken in order to begin implementing the rulebook in question.

Further monitoring and harmonization of legislature with that of the EU related with simple pressure containers.

3.1.3.3. Safety of machines and toys

Legal framework

Basic principles of machine safety are the following:

POA 16/83 Order on the obligatory attestation of manual and transportable fire extinguishers (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 16/83).

POA 27/80 Order on the obligatory attestation of ropes for exportation facilities in mining (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 27/80 and 67/80)

POA 61/83 Order on the obligatory attestation of general purpose ropes (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 61/83 and 17/88)

POA 62/83 Order on the obligatory attestation of roller bearings (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 62/83 and 85/87, Official Gazette of the Federal Republic of Yugoslavia, No. 12/93 and 68/93)

POA 9/83 Order on the obligatory attestation of chains and chain constituting elements (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 9/83)

POA 61/85 Order on the obligatory attestation of screws, screw-nuts and shims for junctions for structural steel constructions (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 61/85)

POA 76/90 Order on the obligatory attestation of brake linings for motor vehicles and trailers and on the conditions to be fulfilled by organizations of associated labor authorized to attest the products (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 76/90)

The area in question is also regulated by other technical regulations and standards which must be applied. Listed here are only some orders and rulebooks on obligatory attestation due to their importance, as well as because they require a certificate issued by a third party.

Institutions

The Ministry of Economy and Regional Development is in charge of the machine area.

Short-term priorities (2009–2010)

One of the priorities of the Ministry of Economy and Regional Development for the third quarter of 2008 is to begin transposing the directive [98/37/EC](#), [98/79/EC](#) on machines. The plan is to complete the rulebook on machines in the first quarter of 2009.

Short-term priorities (2010–2011)

Strengthening capacities of bodies for the evaluation of harmonization.

Training for producers and businesspeople in order to implement the rulebook.

Further monitoring and harmonization of legislature on machine safety.

3.1.3.4. Explosives intended for civilian use and equipment and protection systems in a potentially explosive environment

Legal framework

The Law on fire protection (Official Gazette of the Republic of Serbia, No 37/88). This law regulates the area of fire protection with the aim of protecting human lives and property from fire. The law requires the implementation of measures to prevent fire from breaking out and spreading, locate and extinguish fire, save human lives and property endangered by fire and offer assistance to clear up the consequences of fires.

The Law on explosive materials, inflammable fluids and gases (Official Gazette of the Socialist Republic of Serbia, No. 44/77, 45/85, 18/89). With the aim of protecting human lives and health, material assets and the environment, the law requires that the production, distribution and transport of explosive materials, inflammable fluids and gases be carried out under conditions and in the manner determined by this law and other regulations adopted in accordance with it.

The Law on the distribution of explosive materials (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 30/85, 6/89 and 53/91, Official Gazette of the Federal Republic of Yugoslavia No. 24/94, 28/96, 68/2002). With the aim of protecting human lives and health, material assets and the environment, the law requires that the distribution of explosive materials be carried out under conditions determined by this law.

The Law on the transport of hazardous materials (Official Herald of the Socialist Federal Republic of Yugoslavia No. 27/90, 45/90). The law determines the conditions under which hazardous materials may be transported and actions related with the transport (preparation of materials for transport, loading and unloading and handling of the materials), as well as supervision of the implementation of the law.

New laws are currently being drafted (Law on protection and rescue and Law on protection from fire) which will regulate this area, and whose adoption by Serbian parliament is expected in the fourth quarter of 2008.

The Law on ministries envisages that the Ministry of Interior performs public administration duties which refer to: the protection of lives, personal and material safety of citizens, offering help in case of danger, distribution and transport of weapons, ammunition, explosives and other hazardous materials, testing hand firearms, appliances and ammunition, protection from fire, etc.

Given that the Serbian government withdrew from parliamentary procedure the Bill on protection and rescue, which in more details determines the protection and saving of citizens' lives, health and property, the preservation of conditions necessary for life and preparation for overcoming the situations in case of fire, natural disasters, hazardous materials and other dangerous situations (emergency situations), harmonization of certain provisions is expected based on remarks by the Ministry of Defence, which will then be submitted to the Serbian government for harmonization and finally adopted in the first half of 2008, when incumbents of citizen protection and rescue activities in emergency situations in the Republic of Serbia should be institutionalized.

In line with the provisions of the Bill, the Ministry of Interior will be in charge of organizing a modern single protection and rescue system, setting up single management, organizing citizens and logistic support in protection and rescue activities with an efficient information system and supervising implementation of protection measures at the local self-government level, in companies, state organs and other organizations.

The current legal regulations, implemented by the Ministry of Interior – Protection and Rescue Sector, do not regulate the civil protection sector. Therefore, the framework of the new law on protection and rescue regulates civil protection, which will be under the jurisdiction of the Ministry of Interior – Protection and Rescue Sector, and the plan is to harmonize our legal regulations in this sector with those of the European Union. The regulations which we want to be implemented in our legal regulations are listed under the following CELEX numbers:

31993L0015.32006D0213,32006D0600,32006D0673,32006D0751,32007D0348, 32007L0023

The current Law on protection from fire (Official Gazette of the Republic of Serbia, No. 37/88) was adopted twenty years ago and many provisions have become outdated and are not in accordance with the changes which took place in the meantime. There is a lack of coordination in terms of competencies of the state, the local self-government, individual ministries etc. Certain solutions referring to the organization of protection from fire are incompatible with the state of play. Issues of financing protection were not solved in a proper manner. Penalties are not precise enough. The law is not harmonized with the existing Law on the local self-government (20059), laws on planning and construction, protection at work, insurance of property and persons, laws on education etc.

Also important for the issue of protection from fire are special laws which regulate these issues. These are: **Law on ministries** ((Official Gazette of the Republic of Serbia, No. 19/04, 84/04, 79/05), which regulates the competencies of the Ministry of Interior, **Law on explosive materials, inflammable fluids and gases** (Official Gazette of the Socialist Republic of Serbia, No. 44/77, 45/85, 18/89), **Law on the distribution of explosive materials** (Official Herald of the Socialist Federal Republic of Yugoslavia No. 30/85, 6/89 and 53/91, Official Gazette of the Federal Republic of Yugoslavia No. 24/94, 28/96, 68/2002), **Law on the transport of hazardous materials** (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 27/90, 45/90).

Institutional framework

Protection from fire is under the jurisdiction of the Ministry of Interior – Protection and Rescue Sector.

The Ministry is in charge of the implementation of the law and bylaws referring to the protection from fire and explosions, determined by the government. Pursuant to Article 3 of the Law on ministries (Official Gazette of the Republic of Serbia, No. 48/07), the Ministry of Interior – Protection and Rescue Sector performs all public administration affairs related with protection from fire.

Within the Ministry, the Protection and Rescue Sector is in charge of the issues of protection from fire and explosions. The Law on the protection from fire envisages that supervision of the implementation of regulations and protection measures against fire determined by law is carried out by the competent organ of the interior affairs administration. Administrative supervision in the area of protection from fire is carried out by authorized employees of interior affairs organs (inspectors). Administration for fire brigade and rescue units is in charge of extinguishing fire and clearing up the consequences of fire, rescuing human lives and property, carrying out technical interventions in traffic, chemical accidents etc.

The Ministry of Interior – Protection and Rescue Sector, in line with its field of work, submits proposals to the government on regulations related with protection from fire and gives its opinion of other laws which regulate the issue of protection from fire.

Short-term priorities (2008–2009)

Legal framework

The Ministry of Interior – Protection and Rescue Sector began the procedure in 2006 and completed the Draft law on protection and rescue. After the relevant ministries gave their opinion, the Draft law was sent for approval to the Serbian government, and then forwarded to the National Assembly in October 2006. After the new government was formed in May 2007, the Draft law on protection and rescue was withdrawn from parliamentary procedure in order to be harmonized with the Ministry of Defence.

In February 2008, the Ministry of Interior – Protection and Rescue Sector once again sent a somewhat amended (improved) Draft law on protection and rescue to relevant ministries, and once the new government is formed after May 11, it should enter the procedure.

Following the adoption of the law on protection and rescue, the plan is to pass a law on protection from fire, as well as other laws and bylaws.

The Law on protection from fire (law proposal would be drafted by the Ministry of Interior – Protection and Rescue Sector), would more fully define the following:

- the competencies of the government, the Ministry of Interior and local self-government organs when it comes to protection from fire and activities of fire brigades and rescue teams
- duties of territorial self-government organs, legal persons, private entrepreneurs, citizens etc towards protection from fire and rescue activities
- preventive tasks
- organization of professional fire brigades and rescue units
- organization of voluntary fire brigades
- activities and competencies while extinguishing fire and rescuing property and persons
- rights and obligations of participants in activities aimed at extinguishing fire and rescuing property and persons
- financing protection from fire and activities of fire brigades and rescue teams
- improvement and development of protection from fire, activities aimed at extinguishing fire and rescue and penalties.

The bill will be submitted to the Serbian government for contemplation in the first half of 2008.

Apart from the abovementioned law, it will be necessary to adopt bylaws (rulebooks, decrees, decisions, orders and similar) which would more fully determine certain obligations, which are determined by laws in general terms only.

While implementing the abovementioned laws and bylaws, it is necessary to implement technical regulations, technical recommendations, standards which should be harmonised primarily with regulations of the European Union, and then with international regulations. In order to achieve that, the cooperation between the Protection and Rescue Sector with competent institutions (Institute for Standardization, Accreditation Board JUAT, ministries etc) and other organizations dealing with activities determined by the abovementioned laws is necessary.

Expert assistance while drafting the law is not necessary.

Institution in charge: the Ministry of Interior – Protection and Rescue Sector.

Institutional framework

The capacities of the Ministry of Interior – Protection and Rescue Sector will be strengthened by further professional training of employees and the procurement of equipment, with the aim of better and more efficient performance, proposition of measures for further improvement of protection and rescue, preparation of amendments to the law and bylaws if deemed necessary. Special emphasis will be placed on equipping fire brigades and rescue units by way of procuring equipment and vehicles, and through professional training of workers in order to teach them how to react in emergency situations with the aim of taking up civil protection obligations (rescuing from ruins, giving first aid, rescuing from depths, heights etc). By the end of 2009, training centres for fire brigades and rescue units should be set up and equipped with the aim of improving the capabilities for performing rescue and other actions. By the end of 2009, members of rescue units must receive additional education and training related with giving paramedical assistance so that they can be able to give first aid to endangered persons on time. There are

also plans to reorganize professional services which act in emergency situations by end-2010 through adequate staff increase with the aim of creating conditions for speedy reaction in emergency situations. In order to create the basis for efficient reaction of these units, it is necessary to procure additional equipment for fire brigades and rescue units, as well as build facilities for their accommodation by the end of 2010. With the aim of setting up an efficient information system and technical systems (networks) for information transfer and fitting in with European tendencies, it is necessary to reconstruct and modernize the existing information centres, set up a national centre in Belgrade and open a unique phone line for information on all dangers (112) by the end of 2010.

Short-term priorities (2010-2011)

Legal framework

Carry out an analysis of harmonization of other laws regulating the issues of importance to the protection from fire, civil protection and similar with the Law on protection and rescue in the course of 2010, in order to harmonize them with the Law on protection and rescue.

Institutional framework

Capacities of the Ministry of Interior – Protection and Rescue Sector will be strengthened in accordance with the following dynamics.

3.1.3.5. Lifts

Legal framework

Basic regulations related with lifts are the following:

POA 27/90 - Order on the obligatory attestation of electrically powered lifts for vertical transport of people and load and on conditions which organizations of associated labour authorized to attest these products must fulfill (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 27/90)

POA 18/91/1 - Order on the obligatory attestation of locks for lift shafts and on conditions which organizations of associated labour authorized to attest these products must fulfill (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 18/91)

POA 18/91/2 - Order on the obligatory attestation of lift speed limiters and on conditions which organizations of associated labour authorized for this attestation must fulfill (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 18/91)

POA 18/91 - Order on the obligatory attestation of bumpers used in lifts and on conditions which organizations of associated labour authorized to attest these products must fulfill (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 18/91)

POA 18/91/3 - Order on the obligatory attestation of seizing devices for lifts and on conditions which organizations of associated labour authorized to attest these products must fulfill (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 18/91).

POA 18/91/4 - Order on the obligatory attestation of electrically powered lifts for vertical transport of load with a cabin which people cannot access and on conditions which organizations of associated labour authorized to attest these products must fulfill (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 18/91)

PTN - for electrically powered lifts for vertical transport of people and load
(Official Herald of the Socialist Federal Republic of Yugoslavia, No. 16/86)

PTN – for electrically powered lifts for inclined transport of people and load (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 49/86)

PTN – for electrically powered lifts for vertical transport of load, with a cabin which people cannot access (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 55/87)

Institutional framework

The Ministry of Economy and Regional Development is an institution in charge of transposing the directive on lifts in the form of a rulebook.

Short-term priorities (2009–2010)

Transposing the directive [95/16/EC](#) has been planned to be carried out before the end of 2009.

Short-term priorities (2010–2011)

Strengthening capacities for the implementation of the rulebook, as well as for further monitoring and harmonization with EU regulations related with lifts

3.1.3.6. Pressure equipment

Legal framework

Pressure equipment is regulated by the following rulebooks on technical normative:

PTN – for stable pressure maintaining containers (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 16/83)

PTN – for stable pressure maintaining containers for liquid atmosphere gases (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 9/86)

PTN – for installation of stable pressure maintaining containers for liquid atmosphere gases (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 39/86)

PTN – for installation of stable pressure maintaining containers for liquid carbon dioxide (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 39/90)

PTN – for inspection and examination of stable pressure maintaining containers for liquid carbon dioxide (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 76/90)

The transposition of the directive referring to pressure equipment was begun at the level of Serbia and Montenegro. This is one of the directives whose transposition reached the final stage, that is, the draft of the transposed directive has been composed.

Institutional framework

The Ministry of Economy and Regional Development formed a working group to compose a rulebook proposal for pressure equipment, where the starting document is a draft composed at the level of Serbia-Montenegro.

Affairs related with the evaluation of pressure equipment with prescribed demands are currently carried out by the inspectorate at the Ministry of Energy and Mining, but the intention is to transfer these affairs to bodies for the evaluation of harmonization.

Short-term priorities (2009–2010)

By the end of 2008, the directive [97/23/EC](#) will be transposed in the form of a rulebook.

All the necessary measures for the implementation of the rulebook will be taken.

Short-term priorities (2010–2011)

Strengthening capacities of bodies for evaluation of harmonization in order to take over a portion of affairs currently carried out by the inspectorate at the Ministry of Energy and Mining.

3.1.3.7. Boilers, gas and cooling devices

Legal framework – Gas devices

POA 1/82 - Order on the obligatory attestation of portable gas stoves for heating without chimney connection (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 1/82)

POA 20/86 - Order on the obligatory attestation of pressure regulators for liquid gases propane-butane (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 20/86)

POA 58/94 - Order on the obligatory attestation of gas devices (Official Gazette of the Federal Republic of Yugoslavia, No. 58/94)

POA 44/87 - Order on the obligatory attestation of steel containers for propane-butane with vent (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 44/87)

PTN - for portable gas stoves for heating. (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 43/80)

Order – on determining household gas devices which can be distributed (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 4/81)

Institutional framework

For the transposition of directives related with boilers, gas devices the Ministry of Energy and Mining is in charge.

Short-term priorities (2009–2010)

Once the Law on technical requirements for products is passed in September 2008, as well as bylaws for the implementation of the law, a legal framework will be created for the adoption of acts through which the directives of the New approach in competencies of the Ministry of Energy and Mining will be implemented. The directives will be in the form of rulebooks:

- Boilers (hot water boilers powered by liquid or gas fuels) 92/42/ EEC
- Gas devices 90/396/ EEC.

Short-term priorities (2010–2011)

Strengthening capacities for the implementation of the rulebook and further monitoring and harmonization with EU laws related with lifts.

3.1.3.8. Radio and telecommunication terminal equipment

Legal framework

Telecommunications are regulated by the Law on telecommunications of the Republic of Serbia (Official Gazette of the Republic of Serbia, No. 44/2003.). Provisions of this law are in accordance with the European Union regulatory framework (*acquis communautaire*) from 1998, and the basic principles on which they are founded are, among others, stimulation of competitiveness and efficiency while performing activities related with telecommunications, the protection of user interests, ensuring

maximum quality of telecommunication services and the respect of international norms and standards. As for the movement of goods, that is, putting into circulation terminal telecommunication equipment, Article 86 of the Law on telecommunications defines that telecommunication systems and devices may be put into circulation only if they possess appropriate technical license, that is, a certificate.

By-law regulations

Rule books passed by the Serbian Telecommunications Agency

1. Rule book on control of harmonisation of telecommunications networks, systems and means with standards and norms prescribed (Official Gazette of the Republic of Serbia, no. 29/06)
2. Rule book on issuing technical permits – certificates (Official Gazette of the Republic of Serbia, no. 34/06)
3. Rule book on technical checkup procedure in the field of telecommunications (Official Gazette of the Republic of Serbia, No. 34/06)
4. Rule book on fees for issuing technical permits – certificates, and technical checkup of radio stations and telecommunications networks, systems and means (Official Gazette of the Republic of Serbia, No. 41/06)

Institutional framework

The Ministry of Telecommunications and Information Society and the Serbian Telecommunications Agency are the bodies in charge of creating conditions for further development and implementation of activities in the field of telecommunications and information society.

The Ministry of Telecommunications and Information Society is the Government's competent body which, among other things, is authorised to prepare a proposal of the telecommunications policies and proposal of the strategy for development of telecommunications in the Republic; it takes measures to encourage research and development in the field of telecommunications and information technologies; establishes the proposal of the Plan of use of radio frequency specter and adopts the Plan of distribution of radio frequencies, at the proposal of the Serbian Telecommunications Agency; in line with the Plan of use of radio frequency specter it decides on their number and deadlines, that is, on the period for which a licence for public telecommunication networks, i.e. services, will be issued. According to the Law on telecommunications, only a limited number of such licences can be issued. The Ministry also establishes minimum conditions for issuing such permits, including the minimum fee paid upon receiving the permit; it establishes the list of basic services of the universal service that should be provided by operators of the public fixed telecommunications networks, at the proposal of Serbian Telecommunications Agency; takes measures to prevent cross ownership and other forms of connection of telecommunications operators, with the aim of preventing the creation of monopolies and providing conditions for free competition; supervises the implementation of the Law on telecommunications and regulations adopted on basis of that Law; etc.

The Serbian Telecommunications Agency was established with the Law on telecommunications as an autonomous and independent regulatory body. The Serbian National Assembly appointed on May 23, 2005 the president and four members of the Agency's Managing Board. The Agency started working on

August 28, 2005, which overlaps with the date of beginning of implementation of the Law on telecommunications. The role of Serbian Telecommunications Agency is to regulate telecommunications market of the Republic of Serbia on the principles of objectivity, indiscriminatory approach and transparency. The aim is to achieve liberalisation of the telecommunications market and create conditions for efficient competition. In line with the Law on telecommunications, Serbian Telecommunications Agency is in charge of regulating relations on the telecommunications market between telecommunications operators (settles disputes related to interconnection, special conditions for access to the network and/or lease of lines); regulates more closely conditions for use of the radio frequencies specter and prepares proposals of the Plan for the use of radio frequency specter and the Plan of distribution of radio frequencies; supervises the use of the radio frequencies specter, allocates radio frequencies and issues permits to telecommunication operators for performance of certain telecommunications activities; establishes a special tariff regime in the conditions of insufficiently developed competition; manages the fund for covering the expenses of the universal service, which is formed in line with this law; prepares, adopts and manages the Plan of numeration and performs other duties that fall within its competence under this Law.

Strategic documents

The Government of the Republic of Serbia passed three strategic documents for the field of telecommunications and information society: the Strategy of development of telecommunications in the Republic of Serbia from 2006 to 2010, (Official Gazette of the Republic of Serbia...) the Strategy of development of broadcasting in the Republic of Serbia to 2013 (Official Gazette of the Republic of Serbia...) and the Strategy of development of information society (Official Gazette of the Republic of Serbia...). These strategies include legal, institutional, economic and technical aspects of development in the field of telecommunications, broadcasting and information society and are a basis for accelerated development of the market of telecommunications services and development of telecommunications and information infrastructure.

Activities: in the process of EU accession, it is necessary to improve domestic legislation in the field of telecommunications and harmonise it with the new EU regulatory framework (Acquis Communautaire); by strengthening the institutional capacities of the Ministry of Telecommunications and Information Society and the Serbian Telecommunications Agency; it is necessary to create a favourable regulatory environment for a stimulating and promising business environment and attraction of domestic and foreign investments for building telecommunications infrastructure, offering as many modern telecommunications services as possible and investing in production capacities of the telecommunications industry (or some of its elements).

Short-term priorities (2008-2009)

Adoption of laws and a series of by-laws/rule books harmonised with the new 2002 EU regulatory framework.

The basic goals of development in the field of telecommunications are creating conditions for increasing the volume and quality of telecommunications services, proper and efficient functioning of systems of telecommunications, development of competition and introduction of market principles on the telecommunications market.

The Law on telecommunications prescribes an obligation of securing a universal service, i.e., offering basic services to all citizens of the Republic of Serbia at affordable prices, which entails the realisation of one of the basic human rights, which is the right to communication.

Contemporary technological innovations and growing needs for a limited natural resource such as the radio frequency specter, as well as harmonisation with accepted international obligations, impose the need of a continued supervision of the use of this specter so as to secure its rational and efficient usage.

For the development of telecommunications market, in the sense of arrival of new participants to the market, and with the aim of achieving efficient competition, a review of the existing plan of numeration is needed, especially taking into account the elements such as: selection and pre-selection of operators and transferability of numbers.

Strategic documents

It is necessary to update the goals defined in the existing Strategy of development of telecommunications and to work out a proper Action plan.

Institutional framework

In order for Serbian Telecommunications Agency to successfully complete tasks prescribed by the Law on telecommunications related to regulation of the telecommunications market, its institutional capacities must be enhanced, i.e., all the necessary resources that secure independence, transparency, objectivity and expertise of its work must be provided (courses in English, in info technologies, EU regulation).

Middle-term priorities (2010-2011)

Bearing in mind that Serbia's strategic commitment is membership in the European Union, a Draft law on electronic communications will be prepared and harmonised with the EU 2002 regulatory framework.

3.1.3.9. Electromagnetic compatibility

Legal framework

POA 30/91/1 – Order on obligatory attesting of products that cause radio frequency interference and on conditions to be fulfilled by the organisations of associated labour authorised to attest those products (Official Herald of the Socialist Federal Republic of Yugoslavia, no. 30/91)

POA 43/88/4 – Order on obligatory attesting of electric power isolated conductors and cables (Official Herald of Socialist Federal Republic of Yugoslavia, no. 43/88)

POA 37/87 – Order on obligatory attesting of the cable distributional and joint aerial system (Official Herald of Socialist Federal Republic of Yugoslavia, no. 37/87)

POA 30/91 – Order on obligatory attesting of reception antennas for TV and sound radio phonic emission in the frequency range between 3 MHz and 1000 MHz and on conditions to be fulfilled by the organisations of associated labour authorised to attest those products (Official Herald of Socialist Federal Republic of Yugoslavia, no. 30/91)

POA 43/88/5 – Order on obligatory attesting of electrical household appliances (Official Herald of Socialist Federal Republic of Yugoslavia, no. 43/88)

POA 8/87 – Order on obligatory attesting of electrical household appliances and those of similar use (Official Herald of Socialist Federal Republic of Yugoslavia, no. 8/87)

POA 43/88/2 – Order on obligatory attesting of transmission tools with electric motors (Official Herald of Socialist Federal Republic of Yugoslavia, no. 43/88)

Institutional framework

The Ministry of Economy and Regional Development is in charge of this area.

Short-term priorities (2009-2010)

Transfer of directives 89/336/EEC ,92/31/EEC, 93/68/EEC in the form of rule books is planned in 2009.

Middle-term priorities (2011-2012)

Further following of the EU legislation in this field and boosting capacities for implementation of rule books that will deal with electromagnetic compatibility.

3.1.3.10. Pleasure crafts

Legal framework

The Law on inland navigation and the Law on sea and inland navigation are regulations currently in force, and deal with this subject area.

Institutional framework

The Ministry of Infrastructure is in charge of this area.

Short-term priorities (2008-2009)

Harmonisation with the Directive 2003/44/EC is planned to be carried out with the adoption of a new Law on inland navigation.

Preparation of the text of the Draft law on inland navigation which would substitute the existing Law on inland navigation and part of the Law on sea and inland navigation dealing with inland navigation is planned for the period 2008-2009. The new law would regulate the field of safety of navigation on inland waterways of Serbia (waterways, port authorities, navigation and pilotage, ports and piers, navigation, ships, ships books and documents, boats and navigation installations, ship crew, supervision – inspection service, state affiliation of the ship, registration of shops, i.e. of navigable objects, the procedure of ship registration, transport (international, transport in inland navigation, transport for ones own needs), navigation accidents, taking out of sunken objects, the proper law and competence of courts in the Republic of Serbia for disputes of international character, penal provisions, and transitional and final provisions.

Middle-term priorities (2010-2011)

This area will be harmonised with other European Union regulations as well.

3.1.3.11. Navigation equipment

Legal framework

The Law on sea and inland navigation is a regulation currently in force and deals with this subject area.

Institutional framework

The Ministry of Infrastructure is in charge of this area.

Middle-term priority (2011-2012)

Preparation of the text of the Draft law on sea navigation which would substitute part of the existing Law on sea and inland navigation dealing with sea navigation is planned for the period 2010-2012.

The idea is that the Draft law on sea navigation regulates the area dealing with ships, ship books and documents, state affiliation of the ship, ship registration, registration procedure, marine ship crews etc. and to be fully harmonised, among others, with Directives 96/98 and 2002/84 EC on sea navigation equipment.

This draft law will be prepared after the model of the EU landlocked countries (Switzerland, Austria), since the Republic of Serbia remained without a sea after the disintegration of the State Union of Serbia and Montenegro.

3.1.3.12. Cable railways for transport of people

Legal framework

The area of guided systems of special type is not fully legally regulated in the Republic of Serbia.

Institutional framework

Regulation of this area falls within the competence of the Ministry of Infrastructure.

Short-term priorities (2009-2010)

In the upcoming period to 2010, necessary regulations will be prepared, and first of all the Law on cable railways, which will unambiguously determine conditions for construction, reconstruction and maintenance of cable railways, ski lifts and funicular railways, as well as terms for organisation of transport on these guided systems. That way, this area would be regulated legally and would be harmonised with Directive 2000/9/EC.

Middle-term priorities (2010-2011)

Boosting capacities for implementation of the Law on cable railways and further following and harmonisation of regulations with those of the EU in the field of cable railways.

3.1.3.13. Construction products

Legal framework

The inherited technical regulations in the field of construction products have its main legal basis in the Law on standardization. The existing construction regulations, which fall within the competence of the Ministry of Infrastructure, do not contain some major requirements for construction facilities. Determining the level and volume of requirements is completely in the hands of responsible (licenced) architects.

A long-term quality work (and in the field of product safety there can be only such work) requires a sufficient number of trained civil servants. The volume and complexity of work that is to be done on daily basis must in no way be underestimated. For example, CPD rests on 2100 standards that should be transferred and implemented at the national level, and the state is one the most important stakeholders of national standardization. Without its expert participation and contribution to work we cannot speak about area management. >National products< must guarantee the safety of construction facilities if they are designed and built properly (which must be the essence of national regulations on construction).

The existing technical regulations or obligatory standards:

POA 34/85 Order on obligatory attesting of cement (Official Herald of Socialist Federal Republic of Yugoslavia, No. 34/85 and 67/86)

POA 61/83/1 Order on obligatory attesting of chipboards for general use in construction (Official Herald of Socialist Federal Republic of Yugoslavia, No. 61/83/1).

POA 34/85/1 Order on obligatory attesting of prefabricated elements of cellular concrete (Official Herald of Socialist Federal Republic of Yugoslavia, no. 34/85)

POA 4/85 Order on obligatory attesting of steel products for closing the openings for moving within shelters and double-purpose facilities (Official Herald of Socialist Federal Republic of Yugoslavia, no. 4/85)

POA 13/85 Order on obligatory attesting of structural concrete for closing the openings for moving within shelters and double-purpose facilities (Official Herald of Socialist Federal Republic of Yugoslavia, no. 13/85).

POA 34/85/3 Order on obligatory attesting of concrete pipes, over one metre long, for sewers (Official Herald of Socialist Federal Republic of Yugoslavia, no. 34/85)

POA 34/85/3 Order on obligatory attesting of concrete pipes, over one metre long, for sewers (Official Herald of Socialist Federal Republic of Yugoslavia, no. 34/85)

POA 34/85/2 Order on obligatory attesting of concrete admixtures (Official Herald of Socialist Federal Republic of Yugoslavia no. 34/85)

POA 35/86 Order on obligatory attesting of moulded rubber seals for doors, shutters and moveable partitions in shelters and double-purpose facilities with airtight door wing closing (Official Herald of Socialist Federal Republic of Yugoslavia, no. 35/86).

POA 41/87 Order on obligatory attesting of fractioned stone aggregate for concrete and asphalt (Official Herald of Socialist Federal Republic of Yugoslavia, no. 41/87)

POA 46/87 Order on obligatory attesting of waterproof materials impregnated with bitumen and bitumen strips (Official Herald of Socialist Federal Republic of Yugoslavia, no. 46/87)

POA 24/90/2 Order on obligatory attesting of elements of standard construction facilities to fire resistance and on conditions to be fulfilled by organisations of associated labour authorised to attest those products (Official Herald of Socialist Federal Republic of Yugoslavia, no. 24/90)

POA 24/90/1 Order on obligatory attesting of facade bricks and clay blocks and on conditions to be fulfilled by organisations of associated labour authorised to attest those products (Official Herald of Socialist Federal Republic of Yugoslavia, no. 24/90)

POA 24/90 Order on obligatory attesting clay tiles and on conditions to be fulfilled by organisations of associated labour authorised to attest those products (Official Herald of Socialist Federal Republic of Yugoslavia, no. 24/90)

POA 24/90/3 Order on obligatory attesting of strike-proof valves for shelters and double-purpose facilities and on conditions to be fulfilled by organisations of associated labour authorised to attest those products (Official Herald of Socialist Federal Republic of Yugoslavia, no. 24/90) **POA – 61/87** – Order on obligatory attesting of systems for ventilation of shelters and double-purpose facilities (Official Herald of Socialist Federal Republic of Yugoslavia, no. 61/87)

Institutional framework

The Ministry of Infrastructure is in charge of this area.

Short-term priorities (2009-2010)

The structure and main solutions of the Law on construction products were proposed in March 2007.

The Law on construction products would first of all take over the CPD and introduce an assumption of fitness of construction products for a specific use, if they are in line with harmonised standards, European technical approvals and recognised national technical specifications (that would be published on the EU list – so far such a list has still not been made). The minister would pass a regulation and

proclaim a list of standards and put out of force the regulations that are in disharmony with the new regulation, and he would also determine a transitional period (for individual elements as well).

Since it was not known precisely which ministry would be competent for this law, and now it is clear that that is the Ministry of Infrastructure which has not set aside the necessary funds in the budget, it is imperative that necessary funds be provided as soon as possible in order to continue the work on preparation of the Law on construction products which will define:

1. Deadline for adoption of by-laws
2. List of regulations that remain in force
3. List of regulations that are no longer in force
4. The date of the laws coming into force
5. Validity of certain provisions

Definition of important requirements for construction facilities that must be taken into account when establishing whether a construction product has all the required characteristic (if prescribed by regulations on the building of construction facilities).

- Mechanical resistance and stability,
- Safety in case of fire,
- Hygiene, health and environment,
- Safety at use,
- Protection from noise,
- Energy efficiency and heat retention.

Middle-term priorities (2010-2011)

This area will be harmonised with other European Union regulations as well.

3.1.3.14. Package and package waste

Legal framework

Waste management in Serbia is currently regulated by the Law on waste management (Official Gazette of the Republic of Serbia,, no. 25/96, 26/96), the Law on environmental protection (Official Gazette of the Republic of Serbia,, no. 135/04) and the Law on ratification of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (Official Herald of the Federal Republic of Yugoslavia, International Agreements, no. 2/99). The Law on waste management regulates the management of waste materials that can be used as secondary raw materials, manner of their collection, processing and storage conditions, and management of waste materials that have no usage and cannot be used as secondary raw materials.

On the basis of these laws, the Ministry in charge of environmental protection supervises the management of all kinds of waste materials.

On the basis of these laws, the following rule books were adopted:

1. Rule book on management of hazardous waste (Official Herald of the Federal Republic of Yugoslavia, no. 12/95)

2. Rule book on documentation submitted along with the request for a permit for import, export and transit of waste (Official Herald of the Federal Republic of Yugoslavia, no. 69/99)
3. Rule book on conditions to be fulfilled by expert organisations for waste examination
4. Rule book on conditions and ways of classification, packaging and storage of secondary raw materials

When the year of adoption of the current law on waste management is taken into account, it is obvious that this law is completely unharmonised with *acquis communautaire*.

Institutional framework:

The field of waste management, apart from radioactive waste, falls within the competence of the Ministry of Environmental Protection.

The Ministry is in charge of creating a system for management of waste, except for radioactive waste. In line with Article 17 of the Law on ministries (Official Gazette of the Republic of Serbia, no. 48/07), the Ministry of Environmental Protection carries out the tasks of public administration in the field of waste management. The Ministry has a special Department for waste management which is part of the Sector for management and planning.

The Department for waste management, administered by head of the department, is divided into two offices. The Office for management of industrial and communal waste (it has a head of the office and 3 employees) and the Office for management of medicinal and other forms of waste (it has a head of the office and 3 employees). Hence the Department for waste management has a total of 9 employees.

Recent training:

In the previous period, employees of the Department for waste management took part in workshops and seminars organised by TAIEX, with varied topics in the field of waste management. Also, four employees underwent a several-week training in Japan organised by JICA centre. Two employees of the Department took classes within the SIDA project related to waste management.

Short-term priorities (2008-2009)

Legal framework

In 2007, the Government prepared the Draft law on waste management and the Law on package and package waste and sent it to the National Assembly of Serbia for adoption. The Ministry of Environmental Protection formed a working group to that end. The deadline for the adoption in the National Assembly is the third quarter of 2008.

The Law on waste management envisages changes in the system of waste management. This bill is almost completely harmonised with *acquis communautaire*.

After the adoption of Law on waste management, the Government is then to pass four legal acts (the national plan of hazardous waste management, two decrees and the programme of organisation and method of waste selection for recycling), and 23 acts that are passed by the Minister (22 rule books and the Decision on determining authorised expert organisations for waste examination, tables 1 a) and 1b)).

OVERVIEW OF EXECUTIVE REGULATIONS

TO BE ADOPTED ON THE BASIS OF LAW ON WASTE MANAGEMENT

Table 1 a) : Legal acts passed by the Government

Name of the act	Legal basis	Deadline
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1. National plan on hazardous waste management	Article 11. paragraph 3.	Within five years
2. Decree on types of waste that are thermally processed, conditions and criteria for choosing the location, technical and technological conditions for designing, construction, equipment and work of the plant for thermal processing of waste, management of remains left after waste burning, and on other issues important for the work of the plant for thermal processing of waste	Article 41. paragraph 7.	Twelve months from the day that this law comes into force
3. Decree on: 1) conditions and criteria for all types of dumps related to choosing the location, designing and equipment of the dump, control of incursion of waters and percolated waters into the dump, protection of soil and waters, control of gases and unpleasant smells, dangers, stability and physical security of the dump; 2) types of waste whose disposal on the dump is prohibited, amounts of biodegradable waste that can be dumped, conditions, criteria and procedures for accepting or not accepting, i.e., disposal of waste at the dump, way and procedures of work of the dump and its closing, 3) contents and ways of monitoring the dump's work, and subsequent maintenance after the closing of the dump	Article 42. paragraph 7.	Twelve months from the day that this law comes into force
4. Programme of organisation and method of waste selection for recycling	Article 43. paragraph 7	Twelve months from the day that this law comes into force

Table 1 b): :Legal acts passed by the Minister

Name of the act	Legal basis	Deadline

1. Rule book on classification of waste (waste catalogue; general categories of waste; list of categories of hazardous waste by origin and structure, list of hazardous characteristics of waste; waste components which make it hazardous and marginal values of concentration of hazardous components in the waste according to which the character of the waste is being determined; lists of activities of disposal and reuse of waste; types, contents and form of reports on waste examination)	Article paragraph 6.	8.	Twelve months from the day that this law comes into force
2. Decision on establishing authorised expert organisations for waste examination.	Article paragraph 3.	24.	Within four years
3. Rule book on conditions and criteria for choosing the location, on technical and technological conditions for designing, construction and work of plants for waste management	Article paragraph 5.	34.	Twelve months from the day that this law comes into force
4. Rule book on conditions and method of collection, transport, storage and treatment of waste that is used as secondary raw material or fuel	Article paragraph 4.	38.	Twelve months from the day that this law comes into force
5. Rule book on incentives for reuse and exploitation of waste as secondary raw material or for obtaining energy	Article paragraph 5.	38.	Twelve months from the day that this law comes into force
6. Rule book on the procedure for storage, packaging and labelling of hazardous waste	art .44. paragraph 8		Twelve months from the day that this law comes into force
7. Rule book on the form of the Document on waste movement, and on instruction on how to fill it in	Article paragraph 6.	45.	Twelve months from the day that this law comes into force
8. Rule book on the form of the Document on hazardous waste movement, and on instruction on how to fill it in	Article paragraph 9.	46.	Twelve months from the day that this law comes into force
9. Rule book on the contents of marks of batteries and accumulators, hazardous materials in batteries and accumulators, way	Article paragraph 9.	47.	Twelve months from the day that this law comes

and procedures of management of used batteries and accumulators, as well as devices which have batteries and accumulators installed		into force
10. Rule book on conditions, way and procedure of waste oils management	Article 48. paragraph 8.	Twelve months from the day that this law comes into force
11. Rule book on the way and procedure of managing waste rubbers	Article 49. paragraph 4.	Twelve months from the day that this law comes into force
12. Rule book on establishing the list of electrical and electronic devices, and the way and procedure of managing waste from electrical and electronic devices	Article 50. Paragraph 10.	Twelve months from the day that this law comes into force
13. Rule book on the way and procedure of managing fluorescent waste pipes containing quicksilver	Article 51. paragraph 5.	Twelve months from the day that this law comes into force
14. Rule book on: 1) Contents, label design and way of labeling devices containing PCB and offices or plants they are placed in, and of decontaminated devices; 2) Way of disposal of PCB or PCB waste, decontamination of devices which contain PCB and methods of checking the level of PCB; 3) Contents of registration of devices in use containing PCB or PCB waste; 4) contents of request for issuing a permit for decontamination of devices containing PCB	Article 52. paragraph 9	Twelve months from the day that this law comes into force
15. Rule book on the list of POPs materials, way and procedure for managing POPs waste and marginal values of concentration of POPs materials referring to dumping or reuse of waste that contains or is contaminated with POPs materials	Article 53. paragraph 4.	Twelve months from the day that this law comes into force
16. Rule book on the way of packing, criteria, conditions and way of final dumping of waste that contains asbestos and other measures for	Article 54. Paragraph 4	Twelve months from the day that this law comes

preventing the dispersion of asbestos cords and dust in the environmenti		into force
17. Rule book on the way and procedure of managing waste vehicles	Article 55. paragraph 8.	Twelve months from the day that this law comes into force
18. Rule book on the way and contents of the waste management plan, way and procedure of managing hazardous waste from health care facilities	Article 56. paragraph 6	Twelve months from the day that this law comes into force
19. Rule book on the contents of certificate on exemption from the obligation of obtaining a permit	Article 61. paragraph 4.	Twelve months from the day that this law comes into force
20. Rule book on the form of request for issuing a permit for the work of the waste management plant	Article 62. paragraph 5.	Twelve months from the day that this law comes into force
21. Rule book on the contents and form of the permit	Article 64. paragraph 5.	Twelve months from the day that this law comes into force
22. Rule book on: 1) procedure of issuing permits and documentation that follows each waste shipment 2) the list of hazardous waste with tariff labels; 3) the list of non-hazardous waste with tariff labels; 4) contents, form and instruction for filling in the Notification on the cross-border movement of waste; 5) contents, form and instruction for filling in the Document on cross-border movement of waste.	Article 72. paragraph 8	Twelve mints from the day that this law comes into force
23. Rule book o: 1) form of the daily records and annual report on waste, with the instruction for filling it in;	Article75. Paragraph 6	Twelve mints from the day that this law comes

2) methodology for collecting data on the structure and amounts of communal waste in the territory of local self-government unit.		into force	
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Institutional framework

Capacities of the Ministry of Environmental Protection and the Environmental Protection Agency will be strengthened by means of further professional training of employees and procurement of equipment with a view of providing harmonization and implementation of the European Union legislation.

IPA funds for 2008 are to be used for the project titled “Institutional capacity building in the field of hazardous waste management” (the project is worth EUR 1.5 million). The project envisions the strengthening of capacities of ministries and creating strategic documents for managing different types of hazardous waste and creating action plans for their implementation. A public campaign to raise awareness of citizens of the Republic of Serbia is also planned.

More employees are to be employed, namely in:

- The Ministry of Environmental Protection, Department for Water Management (three employees in the Section for managing industrial and communal waste and two employees in the Section for managing medicinal and other types of waste)
- The Environmental Protection Agency.

Middle-term priorities (period 2010-2011)

Legal framework

Participating in analyses of harmonization of other laws regulating the issues of relevance for the field of waste management are the Law on waste management during 2010 so that they could be harmonized with the Law on waste management;

Monitoring gradual implementation of adopted laws and by-law regulations, evaluating achieved results and possible perfecting the adopted laws with a view of improving the dynamics of implementation;

Monitoring possible changes in European regulations and at the same time harmonizing local regulations with all newly adopted or amended regulations.

Institutional framework

The capacities of the Ministry of Environmental Protection and the Environmental Protection Agency will be strengthened in line with the following dynamics.

3.1.5. Procedural issues

As at December 27, 2007, the government adopted a Decree offering information and informing in the field of technical regulations, standards and evaluation of harmonization. The mentioned Decree is harmonized with provisions of the Agreement on Technical Barriers to Trade (TBT Agreement) of the World Trade Organization. The subject decree is to be revised by the end of 2009 so that it should fully be aligned with European Directive 98/34.

The aim of the decree is to provide harmonization with the provisions of the Agreement on Technical Barriers to Trade of the World Trade Organization in the part that refers to official information on technical regulations, standards, and procedures of evaluation of harmonization in the phase of their preparation, as well as offering information on technical regulations, standards and evaluation

procedures which are being prepared, i.e., which are in effect in the Republic of Serbia. This decree establishes a framework for carrying out the procedure of official information of certain international bodies, in line with international treaties which are binding for the Republic of Serbia as well as actions by authorities in the Republic of Serbia upon receiving official notification from other state. Under Article 27 of the Law on ministries, ministries as part of their scope of work carry out activities referring to preparation of technical regulations; therefore, this decree establishes the mechanism of coordination of authorities so that international obligations should be carried out in a most efficient way.

Administrative capacities

Plan of employment and training:

Table 1.

Needs of state institutions for employment

	Whether institution existing or planned	the is or	Present number of employees	<i>Planned (total) number of employees (by years)</i>				
				2008	2009 ¹⁸	2010	2011	2012
Ministry of Environmental Protection	Existing		9	11	14	16	18	18
Environmental Protection Agency	Existing							
Total								

Note:

Give the total number of employees by year, not change

Financial needs

Table 2A.¹⁹ Needs of the Ministry of Environmental Protection

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities					
Building institutions (rooms, people, equipment...)					
Infrastructure					

Note:

Give the amount in EUR separately for each year.

For foreign assistance, state which foreign assistance is in question.

Table 2B. Budget Ministry of Trade and Services – domestic source

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities					
Building institutions (rooms, people, equipment...)					
Infrastructure					

Table 2V. Budget Ministry of Trade and Services – foreign source (*Twining*, technical assistance, IPA/bilateral)

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities (policies)					
Building institutions (rooms, people, equipment...)					
Infrastructure					

3.2. FREE MOVEMENT OF LABOUR

3.2.1. Access to labour market

Freedom of movement of workers entails that each citizen of the European Union has a right to have access to employment under the same conditions as citizens of the member state where the employment is sought. Workers have a right to use all legal possibilities offered by the legal system of the host country regarding assistance in finding employment given to citizens of the state. The workers' employment cannot depend on any criteria discriminating against citizenship and in this sense the country is not allowed to use a system of work permits with regard to the citizens of the EU. The right to an equal access to employment is the essence of the freedom of movement of labour, and it facilitates the existence of other elements of this freedom.

The area of free movement of labour is regulated by the EU Council Regulation No 1612/68 on the free movement of workers within the Community, Regulation 2434/92 amending Part II of Regulation (EEC) No 1612/68 on freedom of movement for workers within the Community and Regulation 312/76.

Obligations undertaken by the Republic of Serbia so far on the basis of its membership in the Council of Europe, i.e. the signing of the Revised European Social Charter (RESC) on March 22, 2005, match in some elements the obligations to be undertaken after the country's entry to the EU. This mostly pertains to the Article 19 in all 12 points of the RESC – Right of Migrant Workers and Members of Their Families to Protection and Aid, which contains provisions to ban the discrimination of workers on the basis of their citizenship.

At the moment, there are ongoing activities in the Republic of Serbia aimed at labour market liberalisation, in accordance with the initialled Stabilisation and Association Agreement (SAA).

In order to allow full mobility of the workforce and easier access to jobs and free professions, the activities in the Republic of Serbia are aimed at harmonisation of relevant regulations in the areas of education, youth, sports and professional training. In this regard, a reform of education is underway, including a reform of the system of higher education in accordance with the standards of the Bologna Declaration.

The issue of validation (nostrification) of diplomas and professional vocations is not an issue that is raised among the member states of the European Union, except in special areas and cases. After the harmonisation of our laws, and mutual recognition of degrees and certificates, it will not be necessary to maintain bilateral intergovernmental agreements on mutual validation (nostrification) of diplomas, which were concluded between the Republic of Serbia and member states of the European Union.

Regarding better organisation of education, employment etc., information and communication technology (ICT) is increasingly used in the Republic of Serbia, offering new possibilities for creation of jobs and employment, flexible and adjustable forms of organisation and progress in the area of equal possibilities. ICT is also significant in the fight against poverty and social exclusion, especially with regard to the needs of disabled persons. Still, ICT is still not sufficiently used in schools.

The National Employment Service offers the possibility to register unemployed persons via the Internet, as well as to list jobs. Its offices offer internet access to all unemployed persons.

3.2.1.1. Legal Framework

The freedom of movement of persons (foreigners) is regulated by the Law on the Movement and Stay of Foreign Individuals adopted in 1980 which is largely outdated and obsolete. In the end of 2007, a Proposal of a new Law on Foreign Individuals was created and adopted by the Government, which is

harmonized with the Schengen Manual, Schengen Acquis Communautaire and EU standards on foreign citizens.

This area is also regulated by the Law on Crossing of the State Border and Movement in the Border Area adopted in 1973.

The area of hiring and employment of foreign individuals is regulated by the federal Law on Establishment of Employment Relations with Foreign Persons (“Official Gazette of SFRY” 11/78 and 64/89 and “Official Gazette of FRY” 42/92). This Law is not in line with EU regulations in this area.

A new Law on Hiring and Employment of Foreign Individuals is being prepared, and it will specify conditions for employment and work of foreign citizens and persons without citizenship in the territory of the Republic of Serbia, in accordance with the already created proposal of the Draft of the new Law on Foreign Individuals which has been proposed by the Government and is currently being processed by the National Parliament of the Republic of Serbia, and the Stabilisation and Association Agreement signed with the EU, as well as EU regulations related to this area: 1612 of October 15, 1968 on the freedom of movement for workers within the Community, 2434 of July 27, 1992 amending Part II of Regulation 1612, and directives of the European Parliament and Council of April 29, 2004 amending the Regulation 1612 and repealing directives on the right of citizens of the Union and their family members to move and reside freely within the territory of the member states.

Provisions to be harmonised with the EU regulations will be applied only with respect to citizens of the EU member states and after the Republic of Serbia becomes the full member of the EU and its citizens acquire the same rights of freedom of movement and employment as the citizens of member states of the EU.

The Law on Employment regulates rights, obligations and responsibilities related to employment of foreign individuals and persons without citizenship working for employers at the territory of the Republic of Serbia, so that foreign individuals are equal to domestic citizens regarding the right to receive compensation for work and work conditions and the right to labour unions and exercise of rights from collective agreements.

The Strategy of Development of Information Society in the Republic of Serbia was adopted in October 2006. One of the key action points from this Strategy is to provide the full use of possibilities of the information society and make them available to most of the population, regardless of geographical and social differences.

The National Employment Strategy 2005-2010 envisages increased and higher-quality investments in human capital.

3.2.1.2. Institutional Framework

Freedom of movement of individuals (foreigners) comes within the competence of the Ministry of Internal Affairs of the Republic of Serbia, but in segments related to crossing of the state border, movement, and approval of stay, i.e. regulation of the status of residence of foreign individuals.

The area of employment comes within the competence of the Ministry of Economy and Regional Development, national employment services and private agencies for employment.

The area of education and validation of diplomas lies within the competence of the Ministry of Education.

The use and application of ICT is within the competence of the Ministry of Telecommunication and Information Society (established in May 2007), the Ministry of Economy and Regional Development,

the Ministry of Labour and Social Policy and the National Information Technology and Internet Agency (established in 2003).

3.2.1.3. Short-Term Priorities

It is expected that the new Law on Foreign Individuals will be adopted by the National Parliament of the Republic of Serbia.

It is expected that the Draft of the new Law on Hiring and Employment of Foreign Individuals will be prepared.

3.2.1.4. Medium-Term Priorities

Legal Framework

It is expected that the Law on Hiring and Employment of Foreign Individuals will be adopted by the National Parliament of the Republic of Serbia.

Activities will be performed with the aim to adapt the system of education to market needs, and new vocations, as well as experimental classes, will be included in the Unified Nomenclature of Vocations in order to follow the movement of post-graduate highschoolers and higher-education students in the market.

Also, regarding professional education and training, a nomenclature of vocations and validation of diplomas will be prepared with the aim to enable unhindered movement of our workers to EU countries, which means that harmonisation of regulations with EU regulations will be performed.

The Republic of Serbia has already made significant achievements in the field of ICT, and will continue with the implementation of documents it has signed and created.

The Republic of Serbia will make efforts to adopt necessary laws to regulate this area. It will make efforts to raise awareness of the need to join the information society and to include the elements of the ICT possibilities into the National Employment Action Plan, within the guidelines for employment.

3.2.1.5. Medium-Term Priorities

Institutional Framework

In the following period it will be necessary to take measures to increase and strengthen administrative capacities of bodies and institutions in charge of: freedom of movement of persons and workers, and movement and stay of foreigners; employment of foreigners in the country and employment of citizens of the Republic of Serbia abroad; as well as to inform and professionally train the employees with regard to EU regulations and acceptance of new obligations arising from the membership.

Capacities of the Ministry of Economy and Regional Development – Employment Sector – Group for Employment Abroad and Migrations will be strengthened in accordance with the following schedule:

Institution	Existing or to be established	Current number of employees	<i>Planned (total) number of employees</i>				
			<i>(manpower)</i>	2008	2009	2010	2011
The Ministry of Economy and Regional Development –	Existing	2 Group for Employment Abroad and					

Employment Sector – Group for Employment Abroad and Migrations		Migrations					
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3.2.2. Coordination of the social security system

In the Republic of Serbia, social insurance includes pension and disability insurance, health insurance and unemployment insurance, and in a wider sense the right to receive child benefits, i.e. all branches of social insurance which are included in basic regulations of the European Community (Council Regulation No 1408/71, Council Regulation No. 574/72, Council Regulation No. 859/2003).

3.2.2.1. Legal Framework

Legal Framework of social insurance within the freedom of movement of workers consists of bilateral agreements on social insurance which are used to coordinate social security systems.

The Republic of Serbia has agreements on social insurance with 26 states, 16 of them members of the European Union. Most of these agreements were concluded during the existence of Yugoslavia and the Republic of Serbia implements them as a successor with regard to international agreements. Certain agreements (older conventions concluded by the former Yugoslavia) are based on the principle of citizenship, i.e. they are applied to citizens of the contracting countries and their family members. Most of the agreements are also applied to refugees and persons without citizenship. Other agreements are based on the principle of insurance, i.e. they are applied to all persons that are or were covered by the laws of the contracting party, as well as to their family members. These agreements include basic European principles and standards like the following: the principle of addition of insurance periods for rights from the social insurance, equal treatment of citizens of contracting countries, equal status of territories of contracting countries, the principle of conservation of acquired rights, the principle of payment of pensions at the territory of the other contracting country, the principle of pro rata temporis – determination of proportional part of contributions, etc.

In the system of pension and disability insurance, the principle of insurance was applied, not the principle of citizenship, and in this sense foreign citizens who are employed or work in the Republic of Serbia have the same rights and obligations as domestic citizens in the area of pension and disability insurance. Regarding payment of pensions or other rights in the area of pension and disability insurance, it is executed in accordance with the concluded international agreements or the principle of actual or legal reciprocity.

Regarding the subject of the right to free movement of workers, basic regulations regulating the right to social protection of migrant workers in the Republic of Serbia are the following: the Law on Social Protection and Social Security of Citizens, which is the basic regulation in the area of social protection, and the Law on Financial Support to Families with Children, which contributes to overall measures of social care about children and concerns the improvement of conditions for basic needs of children.

The rights guaranteed by the Law on Financial Support to Families with Children are as follows: compensation for maternity leave, child-care leave and special child-care leave; parental benefits; child benefits; compensation for stay in pre-school institutions for children without parental care; compensation for stay in pre-school institutions for children with developmental difficulties; reimbursement of expenses for stay in pre-school institutions for children from destitute families.

In accordance with the Law on Health Insurance (“Official Gazette of RS” 107/05 and 109/05), foreign citizens have a mandatory health insurance.

The Law on Health Insurance (“Official Gazette of RS” 107/05) provides health protection to foreigners who permanently or temporarily reside or are in transit over the territory of the Republic of Serbia. If a foreigner could not afford to pay for the urgent medical assistance, the health institutions are compensated from the budget of the Republic of Serbia.

Health insurance is realized in the Republic Health Insurance Administration which is organized in subsidiaries (28 in total), branch offices (179 in total) and local offices (5 in total). Mandatory health insurance includes disease and non-occupational injury insurance, and occupational injury and professional disease insurance.

3.2.2.2. Institutional Framework

Regarding coordination of the system of social security, relevant bodies are: the Ministry of Labour and Social Policy (for the area of pension and disability insurance and child benefits), the Ministry of Health (for the area of health insurance) and the Ministry of Economy and Regional Development (for the area of unemployment insurance). Relevant institutions are as follows: Social Insurance Administration, which is the contact point for implementation of bilateral agreements on social insurance; the Republic Fund for Pension and Disability Insurance, the Republic Health Insurance Administration and the National Employment Service.

3.2.2.3.. Short-Term Priorities

The Ministry of Health intends to adopt a sublegal act to regulate conditions, the process and procedures for organization and implementation of voluntary health insurance, as well as its types.

In 2008, the Ministry of Health plans the adoption of the Law on Transplants which would be in line with Regulations 2004/23, 2006/17 and 2006/86.

3.2.2.4. Medium-Term Priorities

Legal Framework

Until the end of 2011, the Ministry of Labour and Social Policy will effect amendments to the Law on Financial Support to Families with Children as well as prepare a new law on social protection and social security of citizens, therefore incorporating into its legislation the following regulations of the European Community: Council Regulation No 1612/68 on the free movement of workers within the Community, Council Regulation No 1408/71 on the application of social security schemes to employed persons and their families moving within the Community, European Parliament and Council Regulation No 883/2004 on the coordination of social security systems, Decision No 142 of February 13, 1990 on social insurance of employed persons, Decision No 145 of July 27, 1990 concerning the payment of arrears of family benefits due to self-employed persons pursuant to Articles 73 and 74 of Council Regulation No 1408/71.

In this period, the Ministry of Health will harmonize regulations in line with directives, regulations, recommendations and other documents of the EU in the area of health insurance.

All regulations harmonized with the aforementioned documents of the EU may take effect after the entry of the Republic of Serbia into the EU.

3.2.2.5. Medium-Term Priorities

Institutional Framework

In the following period, it will be necessary to take measures to improve the administrative capacity of bodies and institutions relevant for coordination of the social security system, above all in the sense of professional training and development of staff with regard to EU regulations and acceptance of new obligations arising from the membership. Also, since the system of social insurance is in the competence of several ministries, it is necessary to additionally improve the coordination among them to avoid possible negative consequences related to the process of EU association.

Capacities of the Ministry of Labour and Social Policy, the Social Insurance Administration and the Fund for Pension and Disability Insurance will be strengthened in accordance with the following schedule:

Institution	Existing or to be established	Current number of employees	<i>Planned (total) number of employees (per year)</i>				
			2008	2009	2010	2011	2012
Ministry of Labour and Social Policy - Pension and Disability Insurance Sector	Existing						
Ministry of Labour and Social Policy - Family Care and Social Protection Sector	Existing						
Social Insurance Administration	Existing						
The Republic Fund for Pensions and Disability	Existing						

3.3. THE RIGHT OF ESTABLISHMENT AND THE FREEDOM TO PROVIDE SERVICES

3.3.1. Establishment

3.3.1.1. Status

Legislative and Institutional Frameworks

A) Legislative Framework

Company law in the Republic of Serbia is governed by the Corporate companies Law (Official Gazette of the Republic of Serbia, no. 125/04), Business Registration Law (Official Gazette of the Republic of Serbia, no. 55/04, 61/05), Bankruptcy Law (Official Gazette of the Republic of Serbia, no. 84/04), Law on Joint Stock Companies Takeover (Official Gazette of the Republic of Serbia, no. 46/06), Law on Utility Companies and Business Activities of General Interest (Official Gazette of the Republic of Serbia, no. 25/2000, ..., 108/05, 123/2007), Law on Private Entrepreneurs (Official Gazette of the Socialist Republic of Serbia, no. 54/89, 9/90, and Official Gazette of the Republic of Serbia, no. 19/91, 101/05), Law on Cooperatives (Official Journal of the FRY, no. 41/96, 12/98 and Official Gazette of the Republic of Serbia, no. 101/2005, 34/2006), Foreign Trade Law (Official Gazette of the Republic of Serbia, no. 101/2005) and Foreign Investment Law (Official Journal of the FRY, no. 3/2002, 5/2003).

Company law in Serbia could be said to have been reformed with the adoption and passage of the Corporate companies Law (Official Gazette of the Republic of Serbia, no. 127/04), which came into force on 30 November 2004. The decision to draft a completely new law, accepting, to a large extent, solutions contained in the company law directives of the European Community marked the discontinuity with the regulations previously applying to this area; namely the Enterprise Law, which was passed in 1997 and amended in 2002.

The Corporate companies Law governs the establishment of corporate companies (general partnerships, limited partnerships, limited liability companies, and joint stock companies), and also the establishment of entrepreneurs, managing of companies, the rights and obligations of founders, partners, members and stockholders; linking and re-organisation of corporate companies (status changes and changes in the company legal form), the cessation of business of entrepreneurs, and the liquidation of corporate companies. This law provides for a number of new solutions, such as: lower minimum capital contribution for the establishment of limited liability companies, transparent operation of open joint stock companies reflected in the obligation to offer shares and other securities by public offering, setting up of a company register within the Commercial Registers Agency and posting of the registered information on the Agency's web page, ability to access company's documents deposited in the company register, obligation of companies to publish financial statements, internal audit and audit, supervisory board, independent directors, independent committees, control function of the general meeting, supervisory function of the Securities Commission, supervisory function of the administrative authorities and courts, and the principle of disposition of the parties whereby the parties are free to regulate certain issues in its memorandum of association, with the view of ensuring equal protection of shareholders/members, minority shareholders, creditors, and third parties.

This law has implemented solutions contained in the company law directives of the European Parliament and of the Council, and it is fully harmonised with:

- The First Directive (68/151/EEC) of the Council – on the obligation to register companies and make public certain information (amendments to memorandum of association, change of registered seat or legal representatives), obligation of companies to publish their financial statements, nullity of company registration;

- Directive (2003/58/EC) of the European Parliament and of the Council supplementing the First Council Directive on speeding up and facilitation of the procedure for registration of information about companies, which makes reference to the procedure for electronic registration, electronic publication of registration documents, and keeping of documentation in both electronic and written form. This Directive has been implemented in the Business Registration Law, which allows the registration applications and the supporting documentation to be filed in the electronic form; its full application is conditional upon full application of the Electronic Signature Law (Official Gazette of the Republic of Serbia, no. 135/04), which came into force on 29 December 2004;
- The Second Directive (77/91/EEC) of the Council and its amendment pursuant to Directive (92/101/EEC) of the Council, governing the establishment of joint stock companies, their founding documents, increase and decrease in equity, maintaining of minimum equity, acquisition of treasury shares;
- The Third Directive (78/855/EEC) of the Council on fusion of joint stock companies (status change of merger by acquisition, as referred to in the Corporate companies Law);
- The Sixth Directive (82/891/EEC) on division of corporate companies, as a status change;
- The Seventh Directive (83/349/EEC) on the preparation of consolidated financial statements; it is also implemented in the Law on Accounting and Audit, which provides for the preparation of financial statements, and in Business Registration Law, which sets forth the obligation to register and publish financial statements;
- The Eleventh Directive (2003/58/EC) on registration of affiliates (branches of foreign legal entities, as referred to in the Corporate companies Law); and
- The Twelfth Directive (89/667/EE3) dealing with the possibility to set up one-member limited liability companies.

Having integrated in the Corporate companies Law solutions from the company law directives of the European Community, and accepted some options from the common law, Serbia could be said to have put in place a law that promotes economic life and approximation to modern market economies.

Following the enactment of the Corporate companies Law, some new company law directives of the European Community that need to be implemented in our legislation have been passed, and they are:

- Directive (2005/56/EC) of the European Parliament and of the Council of 26 October 2005 on cross-border linking of companies, that is to say, on linking of companies from different member countries in terms of their status, as a result of which two or more corporate companies with registered seats in different member countries may form a new company, which is first registered under the law of the country where it is established, after which the merging companies are stricken off the registers in their respective countries of establishment, or merge a company with an already-existing one that is registered in another member country;
- Directive (2006/68/EC) of the European Parliament and of the Council of 6 September 2006, supplementing the Second Council Directive (77/91/EEC), dealing with certain issues regarding the establishment of joint stock companies, and maintaining and change of their equity, as well as the protection of stockholders' rights; and
- Directive (2007/36/EC) of the European Parliament and of the Council of 11 July 2007 on certain rights of stockholders of quoted joint stock companies, such as: the right to be

notified of and invited to participate at the General Meeting, right to vote by proxy, electronic voting, required majority at the General Meeting, and other. While some provisions of Directive (2007/36/EC) have already been incorporated in the Corporate companies Law, notably in the part dealing with: the General Meetings in joint stock companies, procedure for convening General Meeting sessions, voting by proxy, and holding of telephone sessions, some options (such as cross-border companies) are impossible to implement before the status of a member country has been acquired.

In the drafting stage, the Corporate companies Law was assumed to be the law of capital and not the law of labour, hence most issues concerning the rights of employees, as laid down in the *acquis communautaire*, and in particular in the Council Directive 2001/86/EC of 8 October 2001 (employee involvement in European companies), were left to be addressed in the labour law. The Corporate companies Law governs only the employees' rights arising from status changes: obligation of an acquiring company to take over employees in case of dissolution of a business company due to merger.

B) Institutional Framework

The Ministry of Economy and Regional Development is a line ministry in the sphere of company law. Specifically, registration of businesses is the responsibility of the Commercial Registers Agency, and the Department of Commercial Registers Administration and Supervision, within the line ministry, is designated as its controlling authority.

The adoption of the Corporate companies Law and the Business Registration Law brought about major reform in the business registration system in the Republic of Serbia, which is reflected in the transition, made on 4 January 2005, from commercial registers maintained by courts to a more efficient administrative, electronic and centralised operation of registers by Commercial Registers Agency, established pursuant to the Law on the Commercial Registers Agency (Official Gazette of the Republic of Serbia, no.55/04).

This helped speed up considerably the registration procedure, which used to take as long as several months, whereas now the Business Registration Law sets the period of up to 5 days for determining registration applications. The determination may be either to accept registration application, in which case a resolution is passed to enter the business entity in question in the Register, or to deny registration application, in which case a relevant conclusion is made instructing the applicant what needs to be done in order to remedy the deficiencies.

Commercial Registers Agency operates three registers: Company Register (register of business entities – general partnerships, limited partnerships, limited liability companies, joint stock companies, public companies, cooperative societies, and entrepreneurs), Financial Leasing Register, and Register of Pledges on Movables and Rights. Representative offices of foreign legal entities have also been registered in the Company Register since December 2005, pursuant to the Decree on the Establishment of Foreign Legal Entities' Representative Offices (Official Gazette of the Republic of Serbia, no. 114/05), and annual financial statements of corporate companies since 1 January 2006, in compliance with the Business Registration Law.

The Company Register, which is set up as a single, central, public, electronic database, has made it possible to obtain all relevant information about any one business entity in one place, benefiting both corporate companies and government authorities, with which co-operation is established through electronic data exchange.

In the period 2005 – 2008, Commercial Registers Agency re-registered into the Company Register more than 70,000 active companies and 170,000 entrepreneurs, and made more than 34,000 and 94,000 new registrations of companies and entrepreneurs, respectively.

The Commercial Registers Agency is a member of the European Business Register (EBR) and the European Commerce Registers Forum (ECRF), and an initiator of and leader in regional co-operation. Having signed the Information Exchange Agreement in June 2007, the Commercial Registers Agency acquired the status of the EBR Partner, making possible connection between the Commercial Registers Agency and the EBR's network, and thus enabling exchange of several million pieces of information about companies registered throughout Europe with the data kept on the register by the Commercial Registers Agency.

Article 65 of the Law on Social Protection and Social Security for Citizens (Official Gazette of the Republic of Serbia, nos. 36/91, 79/91, 33/93, 53/93, 67/93, 67/93, 46/94, 48/94, 52/96, 29/01, 84/04, 101/05 and 115/05) sets forth that local governments and other legal and physical entities may be shareholders in social protection institutions, in addition to the government. Other legal and physical entities may establish social protection institutions, except for social work centres and institutions for education of children and youth. No restrictions on pursuing activities in the area of social protection are imposed on foreign physical entities under this law.

The draft Law on Gender Equality, prepared by the Gender Equality Department in co-operation with the representatives of other ministries and the civil sector, guarantees comprehensive equality of genders. The draft Law on Gender Equality is in line with the EU *acquis communautaire*. The law is harmonised with the following sources of law of the European Communities:

Council Directive 86/613/EEC envisages equal treatment of self-employed men and women, and their spouses when they are not partners or employees, and in case they are not covered by any social insurance scheme, the government should make it possible to them to pay voluntary insurance. Also, the conditions for a company to be formed by spouses should not be more restrictive than those imposed on parties who are not married.

Under the Constitution of the Republic of Serbia, the economic system is based on market economy, freedom of entrepreneurship and independence of business entities. Shareholders' rights and obligations do not depend on their family status. Under the Law on Health Insurance (Official Gazette of the Republic of Serbia, no. 107/05 and 109/05-correction), health insurance of unemployed members of insurees' families is covered from the budget of the Republic of Serbia. Also, the same law makes provision for health insurance of unemployed persons who are not entitled to health insurance on any ground. Application of the above Directive would result in overlapping of protection under the law.

Further to the above EU *acquis communautaire*, and the recommendations of the UN Committee on the Elimination of Discrimination Against Women (CEDAW), the National Strategy for the Improved Status of Women and Promotion of Gender Equality was drafted with the aim of enabling in the long run the government and other stakeholders in the society to pursue policy of gender equality and gender sensitive legislation.

In 2007, co-operation was restored with the European Training Foundation (ETF), an EU agency offering trainings to countries in the accession process. Based on the action plan and the needs of the Ministry of Labour and Social Policy, training in Instrument for Pre-Accession Assistance (IPA) planning was organised in November 2007 to cover social inclusion, social dialogue, and social protection system. Furthermore, through an expert ETF-organised meeting in Turin, in November 2007, the Ministry of Labour and Social Policy was involved in the development of terms of reference for a regional EFT project titled "Social Inclusion of Ethnic Groups in the Western Balkan Countries".

- Short-term Priorities 2008-2010

With the view of fully harmonising applicable legislation with the company law directives of the European Parliament and the Council, certain amendments to the Law on Corporate companies are

planned to be made, some of which will address in a more detailed manner the issues that are only partially or vaguely defined, such as: provisions concerning the establishment of branches of foreign legal entities; limited number of members in general partnerships and limited partnerships; one-tier or two-tier system of management; co-ownership of shares; clear distinction between closed and open joint stock companies; compulsory liquidation, linking of corporate companies to form groups, transformation of entrepreneurs into corporate companies, and other.

In the period between 2009 and 2011, the Commercial Registers Agency plans to fully implement electronic registration, including: on-line registration, with the use of qualified electronic signatures, and creation of electronic archives by scanning paper documentation, as envisaged under the “Microfilming of Documentation and Creation of Electronic Archives of the Registers Operated by Commercial Registers Agency” project. This would contribute to state administration reforms, and increased effectiveness and lower costs of archiving. The legal framework for the implementation of this project would be created with the full application of the Electronic Signature Law, and adoption of other regulations to govern this area.

Short-term goal of the Commercial Registers Agency is to implement one-stop-shop system of registration, as set out in Recommendation 90/246/EEC of the Council of 28 May 1990 for simplification of administrative procedures for registrations in the interest of small and medium-sized enterprises, which would speed up the start-up procedure, since the number of days needed to register establishment of a business entity, obtain tax identification number and register with mandatory insurance funds (pension and disability insurance, and health insurance) would go down from current 14 to 5 days, and all in only one procedure. Clients would be able to obtain registration resolutions by filing one registration application (smaller number of required forms) at one place, at an organisational unit of the Commercial Registers Agency. Simultaneously with the issuance of the registration resolutions, business entities would be assigned statistical numbers - tax identification numbers would be assigned by the Tax Administration as soon as possible - and registered with the relevant pension and health insurance funds. To set up the above described system electronic connection among the relevant institutions needs to be established.

The Business Registration Law sets forth that the Commercial Registers Agency is responsible for electronic connection between its Registers and other registers and databases maintained in or outside the Republic of Serbia. This enables co-operation to be established with government authorities and organisations in order to provide for the issuance of unique identification numbers to business entities (upon registration, each business entity is assigned a statistical number under which it is registered with the Republican Statistical Office). However, to provide legal grounds for full implementation of one-stop-shop system as a system of comprehensive co-operation between the above-stated government authorities, amendments need to be made to the Law on Taxation Procedure and Tax Administration, the Law on Pension and Disability Insurance, and the Law on Health Insurance.

In addition to more effective use of time, the one-stop-shop registration system would improve cost-effectiveness of the registration procedure, and contribute to the standardisation of the procedure for setting up a business anywhere in the Republic of Serbia. The Commercial Registers Agency does not plan to recruit additional staff for the implementation of the one-stop-shop registration system, but rather to use the available resources to make technical improvements in the operation of the Company Register.

Mid-term Priorities 2010-2012

Mid-term priorities of the Commercial Registration Agency would be to expand its activities to operate additional registers, to become a member of international associations of registries, to become involved in joint projects for IT connection of European registers, and the like.

Also, a long-term plan would be to harmonise with and apply regulations mandatory for the EU member countries, and in particular:

- Council Regulation 2157/2001/EC on the Statute for European Company (SE), governing the formation of a European company as a public limited-liability company by two public limited-liability companies or two private limited-liability companies from different member countries, by means of a merger, or forming a holding SE, or forming a subsidiary SE, or by conversion into an SE; operation of the general meeting; organisation and responsibilities of the management organs; employee participation in management and supervision, dissolution of a SE through bankruptcy or liquidation; and the application of the national legislation of the member country in which a SE has its registered office only in instances when a matter at hand is not governed by the Statute. The implementation of this Regulation would require further approximation of Serbian company law to that of the European Community and the status of a member country;
- Council Regulation 2137/85/EEC on the European Economic Interest Grouping (EEIG) on the formation of economic interest groupings as legal entities the purpose of which is co-operation between commercial undertakings which are situated in different member countries;
- Council Regulation 1435/2003/EC on the Statute for a European Cooperative Society - SCE, and Council Directive 2003/72/EC on employee involvement in a European cooperative society, defining a European cooperative society as a legal entity which may be formed by association of at least five natural persons with residence in at least two EU member countries, or at least five natural and legal persons, with residence or registered seats in at least two EU member countries, or legal persons with registered seats in at least two member countries, or by way of merger of co-operatives from several member countries, or conversion of a cooperative operating an affiliate or a branch in the territory of another member country for at least two years, and the purpose of which is to carry out its activities for the benefit of its members. The implementation of this Regulation would be possible only after Serbia's integrating in the European Community and acquiring the status of a member country.

3.3.2. Freedom to provide cross-border services

3.3.2.1.1. Status

Legislative Framework

In the Republic of Serbia services may be provided as a commercial activity by entrepreneurs, corporate companies, and persons practicing independent professions (attorneys in law, public notaries, doctors, veterinarians, etc.). Services are provided in accordance with the legal requirements for carrying out a specific activity.

General issues pertaining to this area are governed by some of the laws falling within the domain of the Ministry of Trade and Services.

Law on Commerce (Official Journal of the FRY, 32/93, 50/93, 41/94, 29/96, 37/2002; Official Gazette of the Republic of Serbia, 85/2005 and 101/2005) lays down the ground for provision of commercial services by defining provision of commercial services as a commercial activity. According to this law, commercial activities may be undertaken by all legal and natural persons registered for a specific activity, whereby reference is made to legislation governing establishment of business entities. Further more, this law defines in greater detail the following areas: unfair competition, speculative transactions, restrictions to common market, and supervision of and measures for provision of services.

Law on the Conditions for Trade in Goods, Provision of Services to Trade in Goods, and Inspection Controls (Official Gazette of the Republic of Serbia, 39/96, 20/97, 46/98, 24/99, 25/99, 33/99, 34/2001, 80/2002, 101/2005) governs the conditions for trade in goods, provision of services to trade in goods and inspection controls. Under this law, the services provided to trade in goods include agency services, representation services, brokerage services, commission services, stock exchange services, warehousing services, fitting and delivery of goods, quality and quantity control services, goods insurance services, advertising and promotion services, marketing services, and other services common to trade. This law defines that trade in goods and provision of services may be undertaken by corporate companies, other legal entities, individuals, and entrepreneurs registered with the relevant authority for carrying on a specific activity, whereby reference is again made to establishment legislation. Also, this law makes specific provisions for protection of service consumers, and inspection control over the provision of services by market inspectors, who operate within the Ministry of Trade and Services.

Consumer Protection Law (Official Gazette of the Republic of Serbia, 79/2005) governs the fundamental consumer rights, manner in which such rights may be exercised, and protection of consumer rights and application of ethical principles, and defines consumer as any natural or legal person using the sellers' services for personal needs, for the needs of his/her household, and for own needs. In terms of this law, seller is any business company, enterprise, or other legal person or entrepreneur offering services to consumers. This law also defines special protection of service consumers (obligations of service providers, services prices, goods and services of general interest, services to tourism, time-sharing).

Law on Prices (Official Gazette of the Republic of Serbia, 7/2005) provides for pricing of services.

Law on Competition Protection (Official Gazette of the Republic of Serbia, 7/2005) governs protection of competition on the market in the Republic of Serbia in order to provide identical conditions for undertakings. This law applies to all legal and natural persons and government bodies, institutions for regional autonomy and local self-governments that are engaged, directly or indirectly, in trade of goods or services, and which by their acts and practices violate or may violate competition.

The following laws from the domain of the Ministry of Trade and Services which are of relevance for provision of services are currently undergoing parliamentary procedure:

- Bill on Amendments to Protection of Competition Law;
- Bill on Commerce;
- Bill on Amendments to the Law on the Conditions for Trade in Goods, Provision of Services to Trade in Goods, and Inspection Controls;
- Bill on Protection of Competition;
- Bill on Electronic Commerce;
- Bill on Consumer Protection.

Law on Foreign Trade (*Official Gazette of the Republic of Serbia, no. 101/2005*) allows any person (natural and legal) to provide **services to foreign trade** in accordance with its legal and business capacities. Foreign persons providing services in keeping with the provisions of the Law on Foreign Trade are accorded the treatment equal to that of local persons. Organisational units of foreign companies may provide services in the territory of Serbia if they are registered in accordance with the applicable regulations.

Law on Foreign Trade in Arms, Military Equipment, and Double-Purpose Products (*Official Journal of Serbia-Montenegro, no. 07/05*) sets forth that **services to foreign trade** in arms, military

equipment and double-purpose products may be rendered by persons registered with the line ministry, namely the Ministry of Economy and Regional Development.

Law on Veterinary Activities (Official Gazette of the Republic of Serbia, no. 91/05) governs the conditions for pursuing veterinary activities in Serbia. Veterinary activities may be undertaken by legal persons duly registered in the Company Register, and the Register of Legal Persons Carrying on Veterinary Activities (The Rules on the Contents and Operation of the Register of Legal Persons Carrying on Veterinary Activities and the Register of Entrepreneurs Carrying on Veterinary Activities – Official Gazette of the Republic of Serbia, no. 11/08), which is maintained by the Ministry of Agriculture, Forestry and Water Management. Legal persons may take form of a veterinary surgery, veterinary station or veterinary clinic (The Rules on the Conditions for Providing Health Protection in Private Veterinary Practices – Official Gazette of the Republic of Serbia, no. 2005); a veterinary pharmacy (The Rules on the Conditions for Fitting Out Private Veterinary Pharmacies – Official Gazette of the Republic of Serbia, no. 2005), an animal reproduction and artificial insemination centre (The Rules on the Conditions for Facilities, Equipment and Devices, and on the Conditions for Professional Staff, to Be Fulfilled by Animal Reproduction and Artificial Insemination Centres – Official Gazette of the Republic of Serbia, no. 8/08), and a laboratory; and they operate in compliance with the legislation governing corporate companies. The above legal persons are entered in the Register if they meet the conditions with respect to professional staff, premises (facility), technical requirements, and equipment (The Rules on the Conditions for Facilities, Equipment and Devices, and on the Conditions for Professional Staff, to Be Fulfilled by Legal Persons Carrying on Veterinary Activities – Official Gazette of the Republic of Serbia, no. 42/06). Certain assignments falling within the scope of veterinary activities may be carried out by specialised veterinary institutions, veterinary institutes, the National Reference Laboratory in instances of especially serious, contagious diseases from the OIE List, as well as higher education institutions and higher education units providing education and training to veterinarians. Legal persons engaged in animal breeding and livestock production may set up veterinary stations as own veterinary services, with the status of legal entity. Veterinary assignments within the legal persons engaged in veterinary activities may be carried out solely by licensed veterinarians (persons with university degree in veterinary medicine, i.e. graduate veterinarians). Licences are granted by the Serbian Veterinary Chamber for a period of five years. Requirements and procedure for granting, renewal, and withdrawal of veterinary licences are set forth under the Articles of the Serbian Veterinary Chamber and the Law on Veterinary Activities (Official Gazette of the Republic of Serbia, no. 91/05). Licensing requirements include university degree in veterinary medicine and professional examination. Provision of veterinary services is not fully harmonised with the EU rules, and the prospective enactment of a new Law on Veterinary Activities in the last quarter of 2008 is expected to provide basis for full harmonisation.

Law on Accounting and Audit (Official Gazette of the Republic of Serbia, no. 46/06) came into force on 10 June 2006.

This law incorporates certain options from the Fourth (78/660/EE3), Seventh (83/349/EE3) and Eighth (84/253/EE3) company law directives, and its full approximation will be addressed in the next period.

In the part dealing with audit, this law sets out the requirements for issuance and withdrawal of operating licences for audit firms.

While audit firms are established pursuant to the legislation governing corporate companies, they also have to meet special requirements prescribed under the Law on Accounting and Audit. As special requirements, the law stipulates that certified auditors or audit firms must have majority voting rights as shareholders in audit firms, and must employ a certain number of certified auditors licensed to perform audits of financial statements, and that the audit firm must be a member of the Chamber of Certified Auditors.

The Ministry of Finance issues operating licences, pursuant to which audit firms are registered for carrying on audit activities.

The Ministry of Finance operates a Register of Audit Firms, in keeping with the Law on Accounting and Audit.

The Chamber of Certified Auditors issues, renews, and withdraws licences for auditing of financial statements to and from certified auditors; maintains a register of licences issued to certified auditors; determines the criteria for and carries out formal validation of foreign professional titles; develops curricula, trains the candidates, organizes examination, and issues certificates of acquired professional titles; maintains registers of issued certificates of professional titles; and performs other activities as envisaged under the law.

The Chamber of Certified Auditors, given the approval of the minister of finance, sets the requirements for obtaining, renewing and withdrawing licences.

No special requirements are envisaged under the Law on Accounting and Audit for corporate companies or entrepreneurs registering to provide accounting services. Also, this law makes no provisions regarding professional titles of persons performing accounting activities.

Legal entities and/or entrepreneurs, in their by-laws, determine the professional qualifications, work experience and other requirements for persons who keep business books and prepare financial statements. Legal entities and/or entrepreneurs may contract for keeping of business books and preparation of financial statements with a company or an entrepreneur that is registered for providing accounting services and employs staff to whom bookkeeping and preparation of financial statements are delegated and who meet the requirements from the employer's by-laws. True and fair presentation of financial statements is the responsibility of the legal entity's management body and/or entrepreneur.

Law on Lawyer's Practice (Official Journal of the FRY, no. 24/98, 26/98 – correction, 69/2000 - resolution of the Federal Constitutional Court, 11/2002 and 72/2002 - resolution of the Federal Constitutional Court, and Official Gazette of Serbia-Montenegro, no. 1/2003 – Constitutional Charter) sets forth in Article 14 that a lawyer who is a foreign national and is not entered in the lawyer directory pursuant to the provisions of this law may pursue the activities of lawyers in the Federal Republic of Yugoslavia in certain instances and on reciprocity basis.

The Law on Lawyer's Practice was enacted at the time of the FRY, and it still applies and governs lawyers' activities in the Republic of Serbia. In recognition of the fact that improved legislation was needed in this area, a working group was formed pursuant to the Resolution of the Minister of Justice of 27 March 2008. The working group is scheduled to complete its assignment by the end of the year.

The working group will take into account Directive 98/5/EC of the European Parliament and of the Council of 16 February 1998 to facilitate practice of the profession of lawyer on a permanent basis in the member country other than that in which qualification was obtained and Directive 77/249/EEC of 22 March 1977 to promote free provision of lawyer's services.

Although the working group has not yet come to a final decision as to when the lawyers from the EU member countries should be allowed to practice law in Serbia in breach of reciprocity principle, despite the fact that lawyers registered in Serbia would not have the same possibility in the EU member countries, the prevailing opinion is that the right time would be 2-3 years before admission to the EU - like in the Republic of Slovenia – as it would keep the balance between the interests of the profession and the need to join the EU.

Broadcasting Law (Official Gazette of the Republic of Serbia, nos. 42/2002, 97/2004, 76/2005, 79/2005, 62/2006, 85/2006, 86/2006) sets forth in Article 19 that the Republic Broadcasting Agency shall ensure

the protection of minors and the respect of human dignity in programmes broadcast via radio and TV and shall pass a general binding instruction to that effect.

The Agency especially ensures that programmes, which may impair the physical, mental and moral development of minors, are not accessible via radio or television except when the broadcasting time or technical measures ensure that minors are as a rule unlikely to have the opportunity to watch or hear them.

Broadcasting of programmes, which grossly impair the physical, mental or moral development of minors, are prohibited.

Article 21 stipulates that the Agency shall ensure that the broadcasters' programmes do not contain information inciting discrimination, hatred or violence against an individual or a group of individuals on grounds of their different political affiliation or of their race, religion, nationality, ethnicity, sex or sexual affiliation.

Conduct in contravention of the prohibition in paragraph 1 of this Article is deemed grounds for pronouncing the envisaged sanctions by the Agency, independently of the other legal remedies at the disposal of the aggrieved.

With the adoption of the Law on Advertising (Official Gazette of the Republic of Serbia, no. 79/05), the provisions of Article 104 through 113 (with the exception of Article 106) of the Broadcasting Law, governing advertising and sponsorship have ceased to apply, and have become an integral part of the Law on Advertising.

Short-term Priorities

To enact the Law on Accounting and the Law on Audit in order to fully harmonise with the Fourth and Seventh Company Law Directives, and Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC.

Mid-term Priorities

Short-term and mid-term priorities of the Ministry of Trade and Services with respect to free provision of services are the following:

1. To provide solid grounds for services sector in Serbia in terms of available information (databases and continued statistical analyses);
2. To pass the requisite legislation in the area of trade in services, along with their liberalisation in accordance with the European Commission legislation and the requirements of the WTO members in the domains of cross-border provision of services; use of services abroad; commercial presence; and presence of natural persons;
3. Establishment of an institution of the Serbian National Brand mark.

Full harmonisation with the EU legislation in the area of accounting and audit.

Institutional Framework

Under Article 14 of the Law on Ministries (Official Gazette 48/07), the Ministry of Trade and Services is responsible for legislation and inspection control in the following areas related to trade in goods and free provision of services: movement of goods and services; goods and services quality control; utilisation of trademarks and service marks, quality marks, and marks of origin of goods; production and trade in goods and services; anti-monopoly activities; prevention of unfair competition; market supply; and protection of consumers of goods and services.

Recruitment Plan

Name of institution		Existing/planned institution	Current no. of staff	Year				
				2008	2009	2010	2011	2012
Ministry of Trade and Services		Existing						
Services Sector	Group for the Liberalisation of Trade in Services	Existing	2	3	It has been noted that the applicable Rules on Job Classification need to be changed to provide for recruitment of more staff from legal and economic professions			
	Department of Services in Domestic Market	Existing	5	6				
Total			7	12				

Note: Recruitment plan refers only to the Services Sector, which is likely to be responsible for co-ordination of all activities of the Ministry of Trade and Service concerning the free provision of services.

The positions at the Ministry of Finance - its Accounting and Audit Department – will be filled according to the following schedule.

Recruitment Plan:

Name of institution		Current no. of staff	Planned (total) no. of staff per year				
			2008	2009	2010	2011	2012
Ministry of Finance Financial System Sector	Group for Accounting and Audit Standardisation	2	3	3	4	4	4
	Group for Inspection Control over	0	3	6	6	6	6

Accounting and Audit Department	the Operation of Audit Firms						
Total:		2	6	9	10	10	10

3.3.3. Postal services

3.3.3.1. Status

Legal Framework

The Postal Services Law (Official Gazette of the Republic of Serbia, no. 18/05) regulates the provision of postal services in domestic and international traffic on the territory of the Republic of Serbia. This Law, *inter alia*, prescribes the conditions for provision of the universal postal service of specified quality, at affordable prices and under equal conditions for all service users; protection of interests of service users; promotion of competition on the postal market, as well as creating conditions for fulfilment of the needs of service users and ensuring conditions for the development of postal services.

This Law is harmonised with the regulatory framework of the European Union contained in the Directive 97/67/EC of the European Parliament and the Council of Europe on common rules for the development of the internal market of Community postal services and the improvement of quality of service. The Draft Law on Amendments to the Postal Services Law has been prepared and is expected to be adopted by the National Assembly by the end of 2008.

Strategic Documents

Based on the Postal Services Law and governed by the public interest in this field, by the principles of postal profession, principles of the Universal Postal Union, other international organisations and international obligations assumed in the field of postal traffic in the Republic of Serbia, the following strategic documents have been adopted:

- The grounds for preparation of the strategy for the development of postal services (Official Gazette of the Republic of Serbia, no. 92/07), which define the main strategy and set the direction of development in the field of postal services in the Republic of Serbia, and
- The Strategy for Development of Postal Services in Serbia (Official Gazette of the Republic of Serbia, no. 23/08), which sets the directions of development of postal services in the Republic of Serbia, the method of their implementation, as well as the measures for improvement and development of competitiveness on the postal services market.

Institutional Framework

The authorities and competencies in the field of postal services lie with the Ministry of Telecommunications and Information Society, the Republic Agency for Postal Services, and Public Enterprise of PTT Traffic “Srbija”.

The Ministry of Telecommunications and Information Society is responsible for preparation of the Draft Postal Services Policy and the Postal Services Development Strategy, which are defined by the Government, and for supervision of the implementation of this law and the regulations adopted on the

basis of this law and other laws regulating the provision of postal services. The Department for Postal Traffic in the Ministry performs the activities related to postal traffic on the domestic and international level. The Postal Traffic Department is divided into the following internal units:

- Group for analysis and planning in the field of postal traffic - 3 full-time employees,
- Section for legal regulations and supervision in the field of postal traffic - 7 full-time employees, of which:
 - Group for legal regulations in the field of postal traffic – 3 civil servants, and
 - Group for inspection supervision in the field of postal traffic - 3 postal inspectors.

The Republic Agency for Postal Services (hereinafter: the Agency) is established under the Law as an independent regulatory authority that is, *inter alia*, entrusted with enacting the general conditions for provision of postal services, standards of quality in the provision of postal services and monitoring of their implementation; defining, upon the approval of the Government, of the limit per weight and price for reserved postal services; defining of the duration of exclusive provision of reserved postal services; issuing approvals of specific conditions for provision of postal services; granting and withdrawing the licence for provision of the universal postal service from postal operators; granting and withdrawing the licence for provision of non-reserved postal services from postal operators; taking actions aimed at improving competition on the postal market and monitoring of developments in the field of postal services. The Agency, which is under this Law entrusted with the enactment of relevant by-laws, has not become operational because the Council of the Agency has not been appointed yet. Lack of by-laws as instruments for the enforcement of this Law, has created a legal vacuum and proliferation of a large number of postal operators unauthorised for provision of postal services.

Public Enterprise of PTT Traffic “Srbija” is, within the meaning of the Law, considered to be authorised public postal operator with a mandate to provide universal postal service, which implies a set of basic postal services to be provided under equal conditions, without discrimination and at affordable prices on the entire territory of Serbia. PE PTT Traffic “Srbija”, as a public postal operator, has an exclusive right to provide reserved services as specified under the Law. PE PTT Traffic “Srbija” has 15,794 employees in total.

3.3.3.2. Short-term Priorities (2008-2009)

Legal Framework

On 6 March 2008, the Government finalised the Draft Law on Amendments to the Postal Services Law and submitted it to the National Assembly for adoption. The deadline for adoption by the National Assembly is the end of 2008. The Ministry of Telecommunications and Information Society had set up a working group composed of experts in postal services and the competent inspection authorities for the preparation of the draft law.

Rapid development of postal traffic and the necessity of regulating the market for postal services have entailed the need to harmonise the Law with the EU *Acquis Communautaire* (Directive 2002/39/EC of the European Parliament and the Council of Europe), documents of the Universal Postal Union (documents adopted at the Congress in Bucharest, in October 2004 - Resolution C7 “UPU Policy and Action on Postal Reform and Development 2005-2008”) and requirements of the World Trade Organisation.

In December 2007 the Ministry of Telecommunications and Information Society submitted the draft decision on appointment of members of the Council of the Republic Agency for Postal Services. The decision is expected to be adopted by the National Assembly by the end of 2008.

Institutional Framework

The capacity building of the Ministry of Telecommunications and Information Society is planned through further education of employees in order to be able to follow the developments on the postal market and prepare by-laws that should contain the conditions for provision of the universal service, modalities of access to the service, tariffs and quality of services in accordance with the assumed international obligations and the developments on the national and international markets for postal services.

The establishment and start-up of the Republic Agency for Postal Services and enactment of the necessary by-laws are required to ensure the full implementation of the Postal Services Law.

3.3.3.3. Medium-term Priorities (2010-2011)

Legal Framework

The level of harmonisation of other laws regulating the issues of relevance for the field of postal services, particularly customs regulations and transport of goods, with the Postal Services Law should be analysed during 2010, in order to perform the harmonisation thereof.

Institutional Framework

The capacity of the Ministry of Telecommunications and Information Society and the Republic Agency for Postal Services (RAPS) will be built according to the following schedule.

The Recruitment and Training Plan:

Table 1

Recruitment needs of state institutions

Institution		Existing/ Planned institution	Current number of staff	<i>Planned (total) number of staff (per year)</i>				
				2008	2009	2010	2011	2012
Ministry of Telecommunications and Information Society		Existing	11	11	20	20	20	25
RAPS	Council	Planned	-	5	5	5	5	5
	Department	Planned	-	15	15	15	15	20
Total			11	31	40	40	40	50

Note: Insert the total number of staff per year, not the change.

3.3.3.4. Financial Needs

Table 2A.²⁰ Needs of the Ministry of Telecommunications and Information Society (MTIS)

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities ²¹ :					

²⁰ Table 2A represents the sum of funds stated in table 2B and in the table 2V.

Building of institutions (premises, human resources, equipment...)					
Infrastructure ²²					

Note:

Insert the amount in EUR for each year separately.
Specify the foreign support.

Table 2B. Budget of the Ministry of Telecommunications and Information Society (MTIS) – domestic sources

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities					
Building of institutions (premises, human resources, equipment...)					
Infrastructure					

Table 2V. Budget of the Ministry of Telecommunications and Information Society (MTIS) – foreign sources (*Twining*, technical assistance, IPA/bilateral)

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities (<i>policy</i>)					
Building of institutions (premises, human resources, equipment...)					

²¹ Additional costs incurred in the implementation of regulations that are not direct administration costs, e.g. social welfare, assistance to consumer protection organisations, assistance to non-governmental organisations...

²² Construction of facilities in the fields that may be defined: roads, airports, railway, infrastructure works, Schengen border...

Infrastructure					
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Table 3A. Needs of the Republic Agency for Postal Services (RAPS)

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities					
Building of institutions (premises, human resources, equipment...)					
Infrastructure					

Table 3B. Budget of the Republic Agency for Postal Services (RAPS) – domestic sources

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities (<i>policy</i>)					
Building of institutions (premises, human resources, equipment...)					
Infrastructure					

Table 3V. Budget of the Republic Agency for Postal Services (RAPS) – foreign sources (*Twinning, technical assistance, IPA/bilateral*)

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities (<i>policy</i>)					
Building of institutions (premises, human resources, equipment...)	EAR Project for technical cooperation (EUR 2 million)	EAR Project for technical cooperation (EUR 2 million)	EAR Project for technical cooperation (EUR 2 million)		

Infrastructure					
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3.3.4. Mutual recognition of professional qualifications

3.3.4.1. Status

Legal Framework

Recognition of education received abroad is regulated under the Law on Primary School (Official Gazette of the Republic of Serbia, nos. 50/92, 53/93, 67/93, 48/94, 66/94, 22/2002, 62/2003, and 64/2003), the Law on Secondary School (Official Gazette of the Republic of Serbia, nos. 50/92, 53/93, 67/93, 48/94, 24/96, 23/2002, 62/2003, and 64/2003), and the Law on Higher Education (Official Gazette of the Republic of Serbia, no. 76/2005), which is fully harmonised with the principles of the Bologna process and which stipulates that higher education is of particular interest for the Republic of Serbia and is an integral part of the international, and particularly European, educational, scientific and/or artistic area. Serbia signed the Bologna Declaration and ratified the Lisbon Recognition Convention in 2003.

Apart from the citizens of the Republic of Serbia, foreign citizens and persons without citizenship also have the right to request recognition in order to continue schooling or for employment purposes, provided that they have a legal interest therein.

Institutional Framework

The procedure for recognition of foreign school qualifications of primary or secondary education or partial education is conducted by the Ministry of Education in compliance with the provisions of the Law on General Administrative Procedure, unless specified otherwise in the laws on primary and secondary school. The procedure takes into account the duration of education, the education system of the country where the school qualification has been issued, curriculum and syllabus, rights granted to the holder of the foreign school qualification, and other circumstances of relevance for the decision making.

If it is established in the course of the procedure that the curriculum completed abroad significantly deviate from the domestic curriculum with which it is compared, the validation is conditioned upon passing of specified exams, preparation of specified papers or testing of knowledge. In case the procedure is not completed before the expiry of the deadline for enrolment, the holder of a foreign school qualification may conditionally enrol into the next grade.

The decision on recognition is final in the administrative procedure, and its short contents are written down on the original school qualification and on its translation (recognition clause).

The procedure for recognition of foreign higher education qualifications and assessment of study programmes is carried out by the autonomous higher education institution, in the manner and under the procedure prescribed in the relevant by-law of that institution in accordance with the provisions of the Law on Higher Education, unless stipulated otherwise in the international agreement, and of the Law on General Administrative Procedure. The right to continue with the started higher education, or the right to admission to the higher education levels, including the type and level of studies, and the professional, academic or scientific title, is defined for the holder of a foreign higher education qualification.

The recognition procedure is not performed for the public documents obtained before 27 April 1992 on the territory of the ex-SFRY.

In the procedure for the recognition of a foreign higher education qualification the following elements are taken into account: the system of education in the country where the foreign higher education qualification has been issued, the study programme, conditions for enrolment into the study programme, rights granted by that higher education qualification in the country where the qualification has been issued, and other facts of relevance for the recognition of a foreign higher education qualification. In the course of the procedure, an expert body of the autonomous higher education institution assesses the foreign study programme on the basis of the type and level of obtained knowledge and skills, taking into account the information on the foreign higher education institution where the study programme is held, which is provided by the Ministry of Education.

Once completed positive assessment of a specific foreign study programme is applicable to all subsequent cases relevant to the same study programme. In the procedure of assessment for the purpose of recognition of domestic higher education qualifications abroad, the information on the autonomous higher education institution and the education system are provided by the Ministry.

The decision on recognition is issued by the authorised body of the autonomous higher education institution and is final in the administrative procedure.

In the course of implementation of the Lisbon Recognition Convention, the ENIC Centre of Serbia, which is a member of the ENIC/NARIC network, has been established within the Ministry of Education. The ENIC Centre provides information on the system of higher education, study programmes and higher education institutions in the Republic of Serbia, on the education systems of member countries of the ENIC/NARIC network, provides information on the authenticity of diplomas and on the procedure for assessment of diplomas obtained abroad, on the enrolment of students into higher education institutions, and otherwise develops the regional and international cooperation through exchange of information.

3.3.4.2. Short-term and Medium-term Priorities

- Define the National Qualifications Framework
- Establish the National Agency for Vocational and Adult Education with a tendency to develop into an agency for lifelong learning, or establish the Agency for European Programmes,
- Establish the National Council for Vocational Education, which will for the time being also operate as a national qualifications authority,
- Establish the system of certification and accreditation in vocational education and training,
- Define the standards in secondary education,
- Increase the number of Regional Centres for Continuous Vocational Education of Adults.

Note: The needs for staff and financial resources are included in the total needs of the Ministry of Education referred to in Chapter 3.26.

3.4. FREE MOVEMENT OF CAPITAL

3.4.1. Regime of capital movement and current payments

3.4.1.1 The state of play

3.4.1.1.1. Legal framework

The legal framework of the free movement of capital in the European Union is based on the *EEA Agreement, Part III, Chapter 4, Articles 40-45*, which regulates the matters of capital movement, payment transactions, securities, prevention of money laundering and other issues. The mentioned regulations of the *EEA Agreement* on the free capital movement are organized more concretely and into more detail by a series of directives, decisions, regulations and other acts, such as opinions, recommendations and contracts.

The EU Stabilization and Association Agreement was initialized on November 7, 2007, and signed on April 29, 2008 between the European Union and its members as one signatory party, and the Republic of Serbia as the other, and it contains a framework for regulating capital movement and current payments, concretely in Part 5 – Title V: Workforce Movement, Business Establishment, Supply of Services, Movement of Capital, in Chapter IV: Current Payments and Movement of Capital.

When the Law on foreign exchange transactions was passed in 2002, which is in full accordance with Article VIII of the IMF Statute, current payments were completely liberalized and thus, on May 15, 2002, dinar was pronounced externally convertible in current transactions.

During the application of that Law, the economic conditions in the Republic of Serbia changed; thus, a new Law on foreign exchange transactions was passed (“RS Official Gazette”, No. 62/2006), which came into power on July 27, 2006. That Law regulates payments, collections, as well as current and capital transfers, including international credit transactions, payments, collections and transfers in foreign currencies within the Republic), deposits and unilateral transfers of means of payment.

Regarding the liberalization of capital, the Law accepts the principle of successive liberalization of movement of capital in several phases, as well as the principle of symmetrical liberalization (simultaneous liberalization of movement of capital in both directions, i.e. both for residents and non-residents).

The current Law on foreign exchange transactions was judged as an important improvement in terms of further liberalization of capital movement in the European Commission 2006 Progress Report for Serbia, with the exception of some limitations in the movement of capital.

As for the movement of capital, the importance of the Law on Foreign Exchange Transactions of 2006 is based on the following:

- Capital transactions were additionally liberalized, especially in terms of transactions of long-dated securities (residents can freely invest into equity instruments and debt securities if they were issued by OECD member states and international financial institutions), financial derivatives, investment and voluntary pension funds and insurance;
- Payment and capital transfer on the basis of direct resident investments abroad or that of non-residents in the Republic of Serbia is conducted freely;
- Payments with the aim of acquiring real estate by residents abroad, as well as non-residents in the Republic of Serbia are conducted freely, according to the provisions of the law which regulates legal property relations;

- Bank transfers from a branch of foreign legal entities abroad are conducted freely, after tax deductions;
- Transfers abroad from the foreign currency or dinar bank accounts of non-residents are conducted freely, after tax deductions, while transfers of assets from the savings dinar or foreign currency accounts of non-resident natural persons are free;
- Residents are allowed to commit deposits abroad, according to the sublegal act passed by the National Bank of Serbia (NBS);
- A new possibility for banks and other legal entities to purchase and sell active debts and liabilities based on foreign trade of residents (factoring or forfeiting) has been introduced;
- A new possibility for a resident to perform collection or payments to another non-resident, and not the non-resident they owe, i.e. claims, on the basis of a current or capital transfer (cession or assignment) has been introduced;
- The deadline for importing means of payment on the basis of the export of goods or services, i.e. the deadline for importing the goods or services paid in advance, has been extended from 90 to 180 days. After 180 days the deal is considered a credit one and is registered with the NBS.
- The amount of dinars or effective foreign currency which can be taken abroad or brought into the Republic of Serbia has been augmented from 2000 euro to 5000 euro.

The Law on foreign exchange transactions still contains limitations in terms of residents' investments into foreign short-dated securities. That limitation does not refer to banks which operate under the conditions prescribed by the NBS, nor to domestic investment and voluntary pension funds and insurance societies, which invest according to laws that regulate their operation. Residents' deposits abroad are not forbidden, but legal entities may keep foreign currencies abroad on the basis of NBS approval in order to perform certain activities abroad (for investment and research activities, using financial loans, investment into long-dated securities, etc.) As opposed to legal entities, banks, as well as natural persons who are relocating abroad or live abroad for educational purposes, expert training, etc, can freely keep their foreign currency abroad.

Acquiring loans of resident banks, legal entities and entrepreneurs abroad is free for commercial, commodity and financial loans for merchandise import and investment operations abroad, notwithstanding the terms of payment. The aforementioned subjects can freely acquire financial loans for financing agricultural production with a period of more than 3 months, and financial loans for clearing domestic expenses (conversion into national currency, bank liquidity, etc.) with a period not shorter than 1 year. However, resident natural persons cannot acquire loans abroad.

The aforementioned limitations were kept because it is thought that faster liberalization of short-term movement of capital would increase the risks of domestic economy, primarily due to the different interest rates on the local and foreign capital market and the high deficit of the current balance of payments.

Apart from the Law on Foreign Exchange Transactions, the regime of the movement of capital is also regulated in the Republic of Serbia by a series of other laws, out of which we choose to name the following:

- The Law on Foreign Trade ("RS Official Gazette", No. 101/2005),
- Foreign Investment Law ("SRJ Official Gazette", No. 3/2002 and 5/2003),
- The Law on Commercial Companies ("RS Official Gazette", No. 125/2004),

- The Law on Preventing Money Laundering (“RS Official Gazette”, No. 107/2005),
- Law on the Market of Securities and other Financial Instruments (“SRY Official Gazette”, No. 47/2006)

The aforementioned laws are also supplemented by the following, in terms of the domestic regime of the movement of capital:

- The Law on the National Bank of Serbia (“RS Official Gazette”, No. 72/2003),
- The Law on Banks (“RS Official Gazette”, No. 107/2005),
- The Law on Investment Funds (“RS Official Gazette”, No. 46/2006),
- The Insurance Law (“RS Official Gazette”, No. 55/2004, with subsequent alterations and annexes),
- The Law on Deposit Insurance (“RS Official Gazette”, No. 61/2005),
- The Law on Electronic Signature (“RS Official Gazette”, No. 135/2004),
- The Law on Accounting and Auditing (“RS Official Gazette”, No. 46/2006),
- The Law on Payment Transactions (“SRY Official Gazette”, No. 3/2002 and No. 5/2003; “RS Official Gazette”, No. 43/2004 and No. 62/2006),
- The Law on Voluntary Pension Funds and Pension Schemes (“RS Official Gazette”, No. 85/2004),
- The Law on Basic Property Relations (“SFRY Official Gazette”, No. 6/1980 and No. 36/1990; “SRY Official Gazette”, No. 26/1996; “RS Official Gazette”, No. 115/2005), as well as sublegal acts, passed in order to put the abovementioned laws into practice.

The aforementioned regulations of the Republic of Serbia significantly conform to EU regulations, but they require further modifications. Also, it is necessary to legally regulate another set of issues, such as electronic payments, in order to achieve all the more complete conformity with EU *Acquis communautaire*.

The Ministry of Finance of the Republic of Serbia has lately passed a set of tax regulations referring to the free movement of capital. Those regulations significantly conform to EU acts, especially in the domain of taxing interest revenues acquired on various bases. That area is regulated by the Personal Income Tax Law (“RS Official Gazette”, No. 24/2001, with subsequent amendments and annexes), in the part which refers to the yield of capital, which conforms to the *EU Council Directive 32003L0048 of 3 June 2003 on taxation of savings income in the form of interest payments*.

The Foreign Investment Law (“SRY Official Gazette”, NO. 3/2002 and 5/2003), as well as the Law on Foreign Trade (“RS Official Gazette”, No. 101/2005) both conform to the principle of capital movement, foreign investments and international trade, passed within the European Union; nevertheless, further adjustments are in store (31997L0009 – Directive 97/9/EC of the European Parliament and Council on investor-compensation schemes, 31996R2271 – Council Regulation 2271/96 protecting against the effects of the extra-territorial application of legislation adopted by a third country, and actions based thereon or resulting thereof).

In the area of regulating accounting and audit, it is necessary to make further adjustments in order to conform to 37989L0117 – Council Directive 89/117/EEC on the obligations of branches established in a Member State of credit institutions and financial institutions having their head offices outside that Member State regarding the publication of annual accounting documents, and 32006D0891 – Commission Decision 2006/891/EC on the use by third country issuers of securities of information

prepared under internationally accepted accounting standards (notified under document number C(2006) 5804); it is important to note that the Ministry of Finance of the Republic of Serbia is constantly adjusting Serbian accounting standards to conform to international ones, which was confirmed by the Decree on Publishing International Financial Reporting Standards of January 18, 2008, passed on the basis of Treaty No. CS-SR-WVR-VR-2005-000036-FN concluded between the International Accounting Standards Committee (IASC) Foundation and the Ministry of Finance of the Republic of Serbia.

Money laundering is regulated by the Law on Prevention of Money Laundering (“RS Official Gazette”, No. 107/2005). At the sitting held on March 27, 2008, the government of the Republic of Serbia passed a Draft Law on prevention of money laundering and financing terrorism, by which the Republic of Serbia is to perform additional adjustments in order to conform to the regulations of the European Union, and especially the following EU Directives: *32005L0060* – Directive 2005/60/EC of the European Parliament and Council on the prevention of the use of the financial system for the purpose of money laundering and terrorism financing, and *32006L0070* – Commission Directive 2006/70/EC laying down implementing measures for Directive 2005/60/EC.

3.4.1.1.2. Institutional framework

The basis for passing the Law on Foreign Exchange Transactions is contained in the Constitution of the Republic of Serbia. According to the Law on Ministries (“RS Official Gazette”, No. 48/07), the Ministry of Finance is the authorized proposing body of the Law on Foreign Exchange Transactions, and it prepares the Law in cooperation with the National Bank of Serbia. The sublegal acts are passed by the National Bank of Serbia, as well as the RS government at the motion of the Ministry of Finance.

Most other aforementioned regulations were motioned by the Ministry of Finance of the Republic of Serbia, taking into account the authority of the National Bank of Serbia on the grounds of the Law on the National Bank of Serbia; still, in most cases they are a result of the common effort of the Ministry of Finance of the Republic of Serbia and the National Bank of Serbia. A small number of regulations were proposed by other ministries of the Republic of Serbia.

The Ministry of Finance of the Republic of Serbia and the National Bank of Serbia have passed a set of sublegal acts necessary for the enforcement of laws within their jurisdiction.

The supervision of the application and enforcement of most regulations is committed by the Ministry of Finance of the Republic of Serbia – the Foreign Exchange Inspectorate and the National Bank of Serbia, according to their legal authorization. As far as the supervision is concerned, the Ministry of Finance of the Republic of Serbia – the Foreign Exchange Inspectorate and the National Bank of Serbia cooperate and inform each other on any established illegalities and irregularities, and they inform other authorized state bodies about them (the Ministry of Finance of the Republic of Serbia – Direction for Prevention of Money Laundering, the Ministry of Finance of the Republic of Serbia – Customs Office, the Ministry of the Interior, Ministry of Economy and Regional Development, etc.)

Thanks to foreign donations, the Foreign exchange inspectorate of the Ministry of Finance of the Republic of Serbia has implemented an electronic database (KDP INIT), which enables regular updating of data about foreign exchange transactions of both residents and non-residents in the Republic of Serbia, as well as the electronic download of data from the National Bank of Serbia and the Ministry of Finance of the Republic of Serbia – Customs Office and other state organs. Although that project is already functioning, it still requires further software upgrade for which the necessary means will be enabled via foreign donations.

3.4.1.3. Medium-term priorities

3.4.1.3.1. The legal system

According to the EU Stabilization and Association Agreement, initialized on November 7, 2007 between the European Union and its members as one signatory party, and the Republic of Serbia as the other, within the first four years of the enforcement order of the Agreement, measures will be taken to enable conditions for further gradual liberalization of short-term movement of capital. It was estimated that the 4-year period is necessary in order to establish a sustainable microeconomic stability and fulfill the conditions for neutralizing potential negative effects of the liberalization of movement of short-term capital; nevertheless, that period can be shorter.

Within that period, the Law on Foreign Exchange Transactions will be adjusted according to 31988L0361 – Council Directive 88/361/EEC for the application of Article 67 of the Treaty. Also, the process of conformation to 32001R2560 // Directive No. 2560/2001 of the European Parliament and Council on cross-border payments in euro is in progress, as well as the conformation to 31997L0005 – Directive of the European Parliament and Council on cross-border credit transfers.

In order to further adjust the Serbian legal system to the legal system of the European Union, it is necessary to modify the existing and/or pass new regulations with the aim of further liberalization of capital transactions, according to 31997L0005 – Directive 97/5/EC of the European Parliament and Council on cross-border credit transfers, as well as EU Recommendations 31987H0598 – 87/598/EEC on European Code of Conduct relating to electronic payment (Relations between financial institutions, traders and service establishments, and consumers) and 31988H0590 88/590/EEC: Commission Recommendation of 17 November 1988 concerning payment systems, and in particular the relationship between cardholder and card issuer.

3.4.1.3.2. Institutions

Administrative capacities of the National Bank of Serbia in the sphere of capital movement and current payments will be improved by the professional development of employees by the means technical assistance and cooperation with central banks of the countries in the region and the European Union.

3.4.2. Payment system

3.4.2 State of play

3.4.2.1.1. Legal framework

Payment operations in Serbia are regulated by the Law on Payment Transactions (“SRJ Official Gazette”, No. 3/2002, 5/2003, and “RS Official Gazette”, No. 43/2004 and 62/2006), as well as sublegal acts originating from this law. The Law on Payment Transactions regulates payment operations and rights and obligations of banks and clients.

The Law on Payment Transactions conforms to the regulations of the Directive 31998L0026 of the European Parliament and the Council of May 1998 on settlement finality in payment and securities settlement systems, in terms of the payment system.

International payment transactions are regulated by the Law on Foreign Exchange Transactions (“RS Official Gazette”, No. 62/2006), with enforcement order of July 27, 2006, and additional sublegal acts.

Sublegal acts which refer to international payment transactions partly conform to Directive 32001R2560 on cross-border payments in euro, particularly to Articles 2, 4 and 5 of the Directive.

3.4.2.1.2. Institutional framework

The Law on Payment Transactions, which regulates payment transactions in Serbia is passed by the Parliament of the Republic of Serbia at the motion of the government of the Republic of Serbia, and the

law is drafted by the Ministry of Finance. On the basis of the aforementioned Law, The National Bank of Serbia passes sublegal acts which regulate the payment transactions in Serbia more closely.

The Law on the National Bank of Serbia (“RS Official Gazette”, No. 72/2003 and 55/2004) states that the National Bank of Serbia regulates and improves payment transactions in Serbia, controls payment transactions in banks and performs other necessary functions regarding payment transactions, according to law.

The National Bank of Serbia passes sublegal acts regarding international payment transactions.

3.4.2.2. Short-term priorities

The international payment transactions will be further improved according to international regulations.

3.4.2.3. Middle-term priorities

3.4.2.3.1. Legal system

In the sphere of international payment transactions, domestic regulations will be further adjusted to conform to Regulation *32001R2560* on cross-border payments in euro and Directive *31997L0005* on cross-border credit transfers.

3.4.2.3.2. Institutions

Administrative capacities of the National Bank of Serbia in the sphere of domestic and international payment transactions will be improved by the professional development of employees by the means of technical assistance and cooperation with central banks of the countries in the region and the European Union.

3.4.3. Preventing money laundering

3.4.3.1. State of plays

3.4.3.1.1. Legal framework

On the basis of the Law on Prevention of Money Laundering, passed on the federal level, a Federal Commission for Prevention of Money Laundering was formed; it started to operate on July 1, 2002. When the Constitutional Charter was passed, the State Commission became a sector within the Ministry of Finance of the Republic of Serbia.

In December 2005, a new Law on Prevention of Money Laundering was passed, significantly conforming to Directive 2001/97 on prevention of the use of the financial system for the purpose of money laundering (Directive 2). The Commission for Prevention of Money Laundering continued to work as a governing organ within the Ministry of Finance.

Directive 2 was put out of practice by Directive 2005/60 on prevention of the use of the financial system for the purpose of money laundering and financing terrorism (Directive 3), which came into power in December 2007.

3.4.3.1.2. Institutional framework

The Administration for Prevention of Money Laundering is a financial intelligence unit which collects, processes, analyzes and stores the data received from taxpayers. In the case of suspicion of money laundering, information and data about persons and transactions are forwarded to competent state bodies in order to take legal action.

3.4.3.2. Short-term priorities

3.4.3.2.1. Legal system

In order to have Serbian regulations conform to international standards, a Draft of the Law on Prevention of Money Laundering and Financing Terrorism has been made, which fully conforms to the aforementioned Directive 3 of the EU. The Draft also contains regulations from Regulation EC No 1889/2005 of the European Parliament and of the Council of 26 October 2005 on controls of cash entering or leaving the Community. According to the Draft, the measures for prevention of money laundering are also to be applied to prevention of financing terrorism. According to Directive 3, the measures for prevention of money laundering and financing terrorism ought to be applied regarding the principle of risk-estimation, which is a new method in fighting money laundering and financing terrorism.

3.4.3.2.2. Institutions

Twenty-three employees work for the Administration. Ten more jobs are planned for the implementation and control of the enforcement of Law regulations.

3.4.4. Foreign assistance

Technical assistance of the European Central Bank with the aim of estimating the needs of the National Bank of Serbia and estimating its business operations regarding the standards of the European System of Central Banks, among others, in the sphere of liberalization of capital movement is planned for 2008 and 2009.

It is expected that within the financial assets of the Instrument for Pre-Accession Assistance of EU (IPA) in 2008, the means for the implementation of the project for improving institutional capacities of the National Bank of Serbia and enhancing NBS business operations in accordance with EU standards and criteria will be approved. That project would be realized by the end of 2009, or the beginning of 2010. According to the project draft, some assets are planned to improve the capacities in the sphere of liberalization of capital movement, by the means of experience exchange and getting to know the practice of the countries in the region regarding the process of liberalization of capital movement, technical assistance in creating a middle-term strategy for full liberalization of capital, as well as assistance to make domestic legal system conform with EU legal acts.

Within the Transaction Management Information System (TMIS) project, realized via the European Agency for Reconstruction, the Administration for Prevention of Money Laundering has implemented a new software system which enables electronic collection of data from taxpayers. Also, Case and Document Management system is currently being implemented into the working procedures of the Committee.

FREE FLOW OF CAPITAL

Name of Institution	Existing/Planned institution	Current number of employees	<i>Planned (total) number of employees (per year)</i>				
			2008	2009	2010	2011	2012
Ministry of Finance – Foreign Exchange Inspectorate	Existing	84	84	84	84	84	84
Belgrade Department	Existing	61	61	61	61	61	61
Novi Sad Department	Existing	4	4	4	4	4	4

FIRST DRAFT
UNOFFICIAL TRANSLATION

Nis Department	Existing	19	19	19	19	19	19
Total		84	84	84	84	84	84

Name of Institution	Existing/Planned institution	Current number of employees	Planned (total) number of employees (per year)				
			2008	2009	2010	2011	2012
Ministry of Finance – Administration for the Prevention of Money Laundering	Existing	22	29	39	44	49	54
Total		22	29	39	44	49	54

NATIONAL BANK OF SERBIA

Name of Institution	Indicate whether the institution already exists or it is planned	Current number of employees	Planned (total) number of employees	Planned (total) number of employees	Planned (total) number of employees	Planned (total) number of employees
National Bank of Serbia	Existing	2008	2009	2010	2011	2012
Foreign Exchange Department	Existing	5	6	7	7	7
Payment System	Existing	1	1	1	1	1
International Relations Department	Existing	2	2	2	2	2

FIRST DRAFT
UNOFFICIAL TRANSLATION

Legal Department	Existing	1	1	2	2	2
Total		9	10	12	12	12

Proposal for the necessary administration capacities of the National Bank of Serbia (NBS) that will be engaged in the Subgroup operation implies the reorganization of the existing number of employees and not the recruitment of new staff, which does not entail additional expenditures.

3.5. PUBLIC PROCUREMENT

3.5.1. State of play

3.5.1.1. Legal framework

The current Law on Public Procurement of the Republic of Serbia was passed in 2002 (“RS Official Gazette”, No. 39/2002). The modifications of the Law on Public Procurement were published in the “RS Official Gazette”, No.43/2003 state law, 55/2004 and 101/2005 – state law.

The regulations of the current Law on Public Procurement of the Republic of Serbia conform to the following EU directives:

- 1) Directive (92/50/EEC) relating to the coordination of procedures for the award of public service contracts,
- 2) Directive (93/36/EEC) coordinating procedures for the award of public supply contracts,
- 3) Directive (93/37/EEC) concerning the coordination of procedures for the award of public works contracts,
- 4) Directive (93/37/EEC) concerning the coordination of procedures for supply of public services
- 5) Directive (89/665/EEC) on the coordination of the laws, regulations and administrative provisions relating to the application of review procedures to the award of public supply and public works contracts,
- 6) Directive 2004/18/EC on the coordination of procedures for the award of public works contracts, public supply contracts and public services contracts; and
- 7) Directive 2004/17/EC coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors.

According to the Law on Public Procurement of the Republic of Serbia, the following sublegal acts have been passed:

- 1) Regulation on mandatory elements of tender documentation in public procurement procedures (“RS Official Gazette” No. 98/2004 of 27.08.2004.),
- 2) Regulation on specifying evidence on the basis of which it is stated whether goods have been produced in the country, that is are of domestic origin (“RS Official Gazette” No. 82/2004 of 20.07.2004),
- 3) Regulation on Tenders Opening Procedure and Standard Form for Keeping Records on Tenders Opening (“RS Official Gazette” No. 9/2003 of 12.02.2003.),
- 4) Regulation on Standard Form for Keeping Records on Public Procurement (“RS Official Gazette” No. 9/2003 of 12.02.2003.),
- 5) Decision on Criteria for Establishing Public Procurement Commissions (“RS Official Gazette” No.25/2003 of 14.03.2003.).

For the first time, the Law on Public Procurement systematically regulates the sphere of public procurement based on the principles of economy and efficiency of use of public assets, competition, equality among tenderers and the transparency of use of public assets.

The Law regulates the public procurement of goods, services and works, although it does not refer to the procurement of certain services (voice telephony, RTV programs, telex, paging, arbitration, labor contracts, research and development services, NBS services, radio-telephony and satellite services).

The Law regulates in detail the procedure of public procurement, public procurement of small value, for which there is a minimum of regulations, as well as criteria for the choice of the most favorable tenderer (tenderer selection). The Law also serves to prevent corruption by the means of anticorruption regulations.

Tenderers rights are protected by Law – the Commission for Protection of Tenderers’ Rights has been formed at the Public Procurement Office (PPO), and it consists of four members and a president, named by the government, at the motion of the Financial Minister. That Commission is authorized to pass final decisions regarding the requirements for the protection of rights (complaints), and to delay the activities of the ordering party in the process of assigning public contracts as a response to the requirement for the protection of tenderers’ rights. It is also authorized to refute the claim to the protection of rights as unfounded, to accept the claim for the protection of rights as a whole or partially, or to partially cancel the process of assigning contracts for public procurement.

If the ordering party breaches the provisions of this Law, public contracts are void. Furthermore, the ordering party is liable to fines. Tenderers can be fined in case of presenting incorrect data about references, not reporting changes of data regarding mandatory conditions for taking part in the process of public procurement and for providing incorrect information in documents.

In addition, the Law protects public interest by requiring the protection of public interest by the Public Procurement Office. As for irregularities in the process of public procurement, the Office can denunciate a party to the magistrate, report to the Ministry of the Interior and the Budget Inspection.

The notion of an open process of public procurement fully conforms to EU regulations and international standards, because it is a process in which all the interested parties, both natural persons and legal entities, can apply.

The restrictive process has also been founded according to the EU definition as a process of public procurement in which only the tenderers invited by the ordering party can take part, their qualifications having been acknowledged in advance (candidates). The process is published after the Public Procurement Office declares its opinion.

The process with negotiation is defined as a process in which the ordering party negotiates with the supplier of goods, performer of works or supplier of services about its choice and conditions of the contract. Such process can be conducted with or without prior publication. It is an exception to the rule and can be conducted only for reasons stated in the Law, because the open process is the rule. The process with negotiation without prior publication for objective reasons or for reasons of protection of exclusive rights can be conducted with the opinion of the Public Procurement Office.

In terms of reporting, the Law defines a deadline for submitting reports on granted contracts (until February of current year for the previous year) and a collective report to the government (until May). The Office has the right to ask each offering party to issue a report on each particular contract granted in a process of public procurement with additional information, if deemed necessary for keeping data records in the sphere of public procurement, or for the protection of public interest.

The Law on the State Audit Institution is also important for the efficient functioning of the system of public procurement (“RS Official Gazette”, No. 101/2005). According to that Law, the Council of the State Audit Institution has, among others, the task to control the processes of public procurement and the realization of public contracts, as well as a Criminal Code in the part referring to corruptive criminal offences, as well as the Budget System Law (internal revision).

3.5.1.2. Institutional framework

The Ministry of Finance – **Group for Extra - Departmental Regulations** (regulations from the sphere of public procurement and financing political parties). The Group work is conducted by altogether three employees. The regulations from the sphere of public procurement are prepared by one employee – the Group leader.

According to Article 18 of the Law on public procurement of the Republic of Serbia, Public Procurement Office has been formed as an independent organization for performing expert work in the sphere of public procurement with the aim of enabling conditions for economical, efficient and transparent use of public assets for public procurement purposes and inciting competition and equality of tenderers in public procurement processes.

The Public Procurement Office currently employs 27 people, out of which 17 are lawyers (10 councilors to satisfy the need of the Commission for the Protection of Tenderers' Rights), 5 economists and 5 officers.

According to Article 128 of the Law on Public Procurement, the protection of tenderers' rights and that of public interest is enabled, in all the phases of the public procurement process, by the Commission for the Protection of Tenderers' Rights, established within the Public Procurement Office. The Commission has a president and 4 members, named by the government at the motion of the Financial Minister, for the period of 4 years. The Commission files a report about its work to the government and the National Parliament.

3.5.2. Short-term priorities

3.5.2.1. Legal framework

- Passing Draft Law on Public Procurement;

In January 2008 the RS government motioned that the RS National Parliament ought to pass a new Law on Public Procurement. The Draft of the new Law conforms to the current EU Directives 2004/17/EC and 2004/18/EC, the recommendations from the Progress Report for Serbia in the process of stabilization and accession and GRECO recommendations, primarily in terms of expert and professional training of employees in the sphere of public procurement, the simplification of public procurement processes, increasing the transparency of public procurement processes and enhancing competition.

The Draft Law did not introduce new mechanisms into the process of public procurement, such as competitive dialogue or electronic public procurement for the reason that the use of the aforementioned processes could lead to serious malpractice in the conditions of undeveloped internal and external audit. The introduction of those mechanisms is planned as a middle-term priority.

Principles of public procurement are: economic and efficient use of public financial assets, enabling competition among tenderers, transparency of public procurement processes, which obligates the ordering parties to publish public invitations for applications in the "RS Official Gazette", and on the Public Procurement Portal if the value of the public procurement exceeds 5 million dinars for goods and services, or 20 million dinars for works.

The Public Procurement Portal is a novelty with the aim of increasing the transparency of public procurement to a higher level, which contributes to predictability and openness of public procurement processes; the public notice and the criteria for evaluation of offers are available to tenderers, which enhances the transparency in the processes of distributing public contracts. Opening offers and submitting applications is public, notwithstanding the type of process.

That is an improvement from the regulations that have existed so far since, according to current regulations, opening offers in the process with negotiations in the second phase of restrictive processes does not have to be public.

Principle of equal treatment of all tenderers, whereby all tenderers have equal access to public contracts on the basis of equal conditions; **anticorruption regulations** have also been improved, and according to them, the ordering party is obliged to refute an application if it has a believable proof that a tenderer has attempted to bribe a member of the Commission for Public Procurement, a person who took part in the preparation of open competition documentation, a person who took part in planning public procurement or another person whose aim was to influence those in order to find out confidential information, or to influence the offering party's decisions or actions in any phase of public procurement. Also, the ordering party is obliged to refute an offer if it finds out that a tenderer has threatened the aforementioned persons.

As a rule, procurement is carried out as an open procedure (all the interested parties can submit offers according to conditions stated by the Law and the documentation needed for the tender), and restrictive procedure and procedure with negotiation are exceptions to the rule.

According to the new Draft Law, the ordering party is not obliged to acquire the opinion of the Public Procurement Office for restrictive procedures and the procedure with negotiation, but to explain reasons for conducting those procedures in its "decision to open a process", which conforms to the practice of EU members.

Public procurement of services in the sphere of urban planning, architecture, construction, engineering, design and information technology is conducted via tenders. Drafts, plans or design are chosen by an independent committee.

Procedures of public procurement of small value will be published in local newspapers, which enables the transparency of public procurement. The limitations for public procurement of small value are stated in the yearly Budget Law.

Conditions for participating in the public procurement procedure have been liberalized by eliminating the provision which forbids natural persons to take part in public procurement processes if they were sentenced for a criminal offence or legal offence in the sphere which is the subject of the public procurement within two years of publishing a public invitation. The procedure of submitting documentation in order to prove to have fulfilled conditions for participating in the process has been simplified. A tenderer can prove that he or she fulfills the conditions by the means of uncertified photocopies of documents, which was not possible up to now, and the chosen tenderer is obliged to submit the original or a certified copy of the documents which prove that he or she fulfils the conditions for partaking in the public procurement process within three days from the day of receiving a written notification from the ordering party. Such regulations decrease tenderers' expenses.

The criteria for choosing the most favorable offer are either only the lowest price or the best economic offer. The criterion of the best economic offer contains evaluation of various elements regarding the subject of public procurement. Each element of the criterion is given a certain relative significance (ponder) by the ordering party in the tender documentation, so that the ponder sum is 100. In its invitation, the ordering party publishes the criteria and their elements for the choice of the most favorable offer, identical to the elements from tender documentation. Technical specifications as a part of tender documentation contribute to the choice of the best offer.

Favorable treatment for domestic tenderers will be used in the public procurement processes in which tendereres from signatory states of the Central European Free Trade Agreement (CEFTA 2006) take part according to provisions of that agreement.

Also, when the Stabilization and Accession Agreement comes into power, the advantage given to domestic tenderers in public procurement processes will turn to advantage in price, and will gradually

decrease in the period of 5 years according to the dynamics stated in that Agreement (Article 76 of the Agreement).

The system of evidencing and reporting on closed contracts has been enhanced by reducing deadlines for recording and reporting; the Law states that ordering parties must submit quarterly reports on closed contracts for public procurement to the Public Procurement Office, and the Office is obliged to prepare a collective report for the previous year and send it to the government by March 31 of the current year at the latest.

According to recommendations from EC annual report for 2007, the Law is supposed to increase the capacities in the sphere of public procurement, i.e. ordering parties in public procurement processes are obliged to engage **one or more employees for public procurement**, a person trained and certified to perform public procurement processes.

A separate chapter of the Law regulates the procurement of goods, public works and services in the sphere of water, energy, telecommunications and transport. The subjects of public procurement are goods, services and works necessary for conducting the activities from the sphere of water, energy, telecommunications and transport (network supply). Those activities are stated in a separate article of the Law. It defines subjects obliged to operate according to the provisions of this chapter of the Law (ordering parties in the spheres of water, energy, telecommunications and transport). The Law regulates procurement in the spheres to which the Law does not apply, and public procurements which can be conducted with negotiation are stated in the article which regulates the procedure with negotiation.

Public procurement in that sphere is conducted in a qualification procedure, which can be conducted in several phases of qualification and must be based on non-discriminatory conditions stated in advance by the ordering party. In its decision to accept a qualification, the ordering party also decides on a period in which the candidate's qualification is accepted. That period cannot be longer than 4 years. While the candidate list is valid, the ordering party is obliged to update it every 6 months by accepting qualifications of any tenderer who in the meantime applies for acceptance of his qualifications and fulfills conditions for accepting or qualification.

A special provision regulates the principle of reciprocity in those spheres.

In the sphere of protection of tenderers' rights and public interest harmonization has been conducted according to Directive (89/665/EEC) on the coordination of the laws, regulations and administrative provisions relating to the application of review procedures to the award of public supply and public works contracts, as well as EU conclusions in the Progress Report for Serbia in the process of stabilization and accession for 2006 and 2007.

Executive authorities have established a Commission for the Protection of Tenderers' Rights and Public Interest on the basis of the Law. Namely, the Republic Commission for the Protection of Tenderers' Rights in public procurement processes is an independent and self-regulatory organ of the Republic of Serbia whose members and the president are chosen by the National Parliament of the Republic of Serbia at the motion of the government. The Republic Commission reports to the National Parliament. The process of the protection of rights is for legal entities or natural persons interested in public contracts that have been discriminated against or are in danger of discrimination in the process of closing public contracts. The decision on the submitted claim for the protection of rights is brought by the Commission in a short period (15 days), and such a claim suspends the process of public procurement.

The Commission decides on procedural damages, and they can be claimed at a regular court.

A complaint against the decision of the Republic Commission can be filed to the authorized court.

Contracts on public procurement closed contrary to provisions of the Law are considered void. The ordering party and the responsible person at the ordering party can be fined. Tenderers can also be fined for submitting untrue data in the documentation and not-reporting modifications thereof.

Passed new sublegal acts:

- 1) Regulation on mandatory elements of tender documentation in public procurement procedures,
- 2) Regulation on specifying evidence on the basis of which it is stated whether goods have been produced in the country, that is are of domestic origin,
- 3) Regulation on tenders opening procedure and standard form for keeping records on tenders opening,
- 4) Regulation on standard form for keeping records on public procurement,
- 5) Decision on criteria for establishing public procurement commissions,
- 6) Regulation on procurement of small value,
- 7) Regulation on form and content for loan application and form and content of documentation on credit liquidity of the applicant when applying for loan, and
- 8) Regulation on the procedure for issuing certificates to public procurement officers.

3.5.2.2. Institutional framework

Enhancing capacities of employees in the Ministry of Finance – Group for Extra - Departmental Regulations, which deals with normative operations in the sphere of public procurement and financing political parties. Normative operations in the sphere of public procurement are conducted by only one state officer, and they should rather be done by five of them.

According to the new Draft Law on public procurement of the Republic of Serbia a Republic Commission for the Protection of Tenderer's Rights is established as an independent and self-governing organ of the Republic of Serbia; its task is to protect tenderer's rights and the public interest in the public procurement procedures (instead of the existing Commissions at the Public Procurement Office). The Commission president and members will be chosen by the National Assembly of the Republic of Serbia for the period of 5 years, at the motion of the government of the Republic of Serbia. Thus, a much greater degree of independence will be enabled in comparison to that of the current Commission according to the current Law.

The capacities of PPO and the Commission are to be enhanced by employing new people, according to modified jurisdiction of the aforementioned organs. Namely, for the need of performing operations in connection with controlling public procurement procedures 4 economists will be employed in PPO, as well as at least 5 lawyers in order to fulfill the needs of the Commission (apart from the 10 employees whom the Commission would take over from the Office, who were employed to deal with procedures of rights protection).

Employee training is a constant activity of PPO of the Republic of Serbia and the Commission for the Protection of Rights, and is conducted by the means of seminars in the sphere of public procurement.

In order to increase transparency in the public procurement processes and enable competition, the following activities of PPO and the Commission are planned: controlling the Public Procurement Portal – information system via which ads will be posted according to Law, issuing certificates to instructors in the sphere of public procurement and keeping a mandatory register, increasing the level of

standardization in the sphere of public procurement by the means of creating models of certain acts, as well as publishing decisions of the Commission for the Protection of Tenderers' Rights etc.

3.5.3. Middle-term priorities

3.5.3.1. Legal framework

Finalizing the process of harmonization of the domestic legal system with the EU legal system and the best European practices.

In that sense, the advantage is given to domestic tenderers in public procurement processes, after the enforcement of the Stabilization and Accession Agreement, signed between the European Community and its member states as one signatory party, and the Republic of Serbia, as the other, and will be expressed in the price, and in the period of 5 years will gradually decrease according to the dynamics stated in that Agreement (Article 76 of the Agreement).

Improving the public procurement system, and in particular:

- Enhancing the application of current regulations;
- Introducing competitive dialogue in legal procedures;
- Introducing electronic public procurement, which will reduce deadlines for conducting public procurement processes;
- Liberalization of the public procurement sector, primarily by liberalizing mandatory conditions for taking part in public procurement processes;
- Developing anticorruption regulations;

Further enhancing basic principles such as:

- Market competition necessary for non-discriminatory conclusion of public contracts;
- Rational use of public assets, which is best provided by the choice of the best offer;
- Enabling tenderers to have unlimited access to public contracts based on equal conditions;
- Inspiring a larger number of suppliers to take part in invitations for tenders.

3.5.3.2. Institutional framework

Improving capacities of the employees in the Ministry of Finance who prepare regulations in the sphere of public procurement.

Enhancing capacities of the Public Procurement Office and the Republic Commission for the Protection of Tenderers' Rights, primarily in qualitative sense, as well as continuously improving the independence of the aforementioned institutions, with the aim of creating an efficient and economical system of public procurement.

Contribution to the Public Procurement Subgroup

Table with recruitment needs

	Indicate whether the institution already exists	Current number of employees	<i>Planned (total) number of employees (per year)</i>					
			2008	2009	2010	2011	2012	

Name of Institution	or it is planned						
Ministry of Finance – Group for Extra-Departmental Regulations (public procurement and financing of political parties)	Existing	3	7	9	9	9	9
Total		3	7	9	9	9	9

Name of Institution	Indicate whether the institution already exists or it is planned	Current number of employees	<i>Planned (total) number of employees (per year)</i>				
			<i>2008.</i>	<i>2009.</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Public Procurement Office	Existing	22	29	32	33	34	35
Commission for the Rights Protection	Members	5	5	5	5	5	5
	Service	Non-existing ²³	-	13	19	21	23
Total		27	47	56	59	62	65

²³ Service of the Commission for the Rights Protection will be formed by the separation of Rights Protection Department from the Public Procurement Office

3.6. RIGHTS OF CORPORATE COMPANIES

3.6.1 Rights of corporate companies

State of play

A) Legal framework

The sphere of company legislation in the Republic of Serbia is regulated by the Law on Corporate companies ("RS Official Gazette" No. 127/04), the Law on Registration of Business Entities ("RS Official Gazette" No. 55/04, 61/05), the Bankruptcy Law ("RS Official Gazette" No. 84/04), Law on Takeover of Joint Stock Companies ("RS Official Gazette" No. 46/06), The Law on Public Companies and Works of Public Interest ("RS Official Gazette" No. 25/2000, 108/05, 123/2007), The Law on Private Entrepreneurs ("SRS Official Gazette" No. 54/89, 9/90, "RS Official Gazette" No.19/91 ... 101/05) and the Law on Foreign Trade Transactions ("RS Official Gazette" No. 101/2005).

The Law on Corporate companies, which entered into force on 30.11.2004, regulates the founding of corporate companies (both partnerships and limited partnerships, as well as limited liability companies, joint stock companies and incorporated companies), founding entrepreneurial businesses, managing companies, the rights and obligations of founders, partners, members and stock holders, merging and reorganizing (changes of status and legal form of corporate companies), cancellation of entrepreneurial businesses and liquidation of corporate companies.

The Law on Corporate companies has implemented the solutions contained in the directives of the European Parliament and Council which regulate the sphere of company law; therefore, the Law conforms to:

- First Council Directive (68/151/EEC) which regulates mandatory registration and publication of certain data about corporate companies, mandatory publication of financial reports of corporate companies and void founding registrations of corporate companies,
- Directive of the European Parliament and Council as an annex to First Council Directive (2003/58/EC) to which the Law on Registration of Business Entities conforms, and which refers to faster and easier process of registering data on business entities by the means of electronic registration, electronic publication of documentation on the basis of which registration is performed, keeping documentation in electronic and written form. The aforementioned Directive is implemented in the Law on Registration of Business Entities, which allows a possibilities of filing registration applications and documentation in electronic form; however, its full application depends on the full application of the Law on Electronic Signature ("RS Official Gazette" No. 135/04), which entered into force on 29.12.2004.
- Second Council Directive (77/91/EEC) and its annex: Council Directive (92/101/EEC), which regulate founding limited liability companies, their founding acts, increasing and decreasing fixed assets, retaining minimal capital and acquiring personal stocks,
- Third Council Directive (78/855/EEC), concerning mergers of public limited liability companies,
- Sixth Council Directive (82/891/EEC), concerning the division of limited liability companies,
- Seventh Council Directive (83/349/EEC) which regulates consolidated accounts of companies with limited liability, as in the Accounting and Auditing Law, which regulates the

form of those accounts, and as in the Law on Registering Business Entities, which regulates mandatory registration and publication,

- Eleventh Council Directive (89/666/EEC) concerning disclosure requirements in respect of branches opened in a Member State (or branches of foreign legal entities, according to Law on Corporate companies),
- Twelfth Directive (89/667/EEC) on single-member private limited-liability companies.

The Law on Corporate companies does not conform to following Directives passed after its entering into force:

- Directive (2005/56/EC) of the European Parliament and of the Council of 26 October 2005 on cross-border mergers of limited liability companies, i.e. to status mergers of corporate companies from different member states, which enables merging two or more corporate companies with seats in different member companies and formation of one new business company which is registered according to the law of the state in which it is founded, upon which the merged companies are deleted from the register of the countries in which they were founded, or enables one company being acquired by another existing business company registered in another member state,
 - Directive (2006/68/EC) of the European Parliament and of the Council of 6 September 2006 amending Council Directive 77/91/EEC as regards the formation of public limited liability companies and the maintenance and alteration of their capital, as well as protecting shareholders' rights,
 - Directive (2007/36/EC) of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies, such as: the right to notification and invitation in the work of the assembly, right to vote via authorized parties, voting by electronic means, necessary majority for partaking in assembly work, etc. Some solutions from this Directive are already contained in the Law on Corporate companies in the part which refers to assembly work, convening assembly sittings, voting via authorized parties and holding telephone assemblies.

The use of the solutions contained in the aforementioned directives of the European Parliament and Council which are not implemented in the provisions of the Law on Corporate companies will be possible when the Law is modified.

Also, the use of Council Regulation 2157/2001/EC on the Statute for European company – SE, which regulates founding European company as a limited liability company with the founding fixed assets of minimum 120000 euro, and which can be founded by: merging two joint stock companies or limited liability companies from different member states, acquiring one company by another, founding a joint holding of the European company, founding a joint affiliate company with the European company status or change of legal form, as well as the use of Council Regulation 2137/85/EEC on the European Economic Interest Grouping – EEIG which refers to forming an economic interest group as a legal entity, based on cooperation of corporate companies with seats in different member states, would be possible upon receiving the status of a member state.

The Law on Private Entrepreneurs (“SRS Official Gazette” No. 54/89, 9/90, “RS Official Gazette” No. 19/91 ... 101/05) which was modified many times and partly remained in force after the Law on Corporate companies was passed, states that a private entrepreneur is a natural person who works in order to gain profit, founds an office and works independently under the conditions and in a way prescribed by the Law. The Law on Corporate companies, which also partly regulated entrepreneurs,

states that an entrepreneur is a registered natural person who performs activities allowed by law with the aim of gaining profit, including artistic and vocational activities, as well as cottage industry activities. Furthermore, entrepreneurs must register according to the Law on Registration of Business Entities. Accordingly, within the Business Entities Register, maintained by the Serbian Business Registers Agency (SBRA), there is a special Entrepreneur Register.

The Law on Public Companies and Works of Public Interest (“RS Official Gazette” No. 25/2000, 108/05, 123/2007) regulates founding public companies which perform activities of public interest by the state, i.e. local units of self-government or autonomous regions. The Law regulates their organization and activities of public interest defined by law in the spheres of: production, transfer and distribution of electricity, coal production and processing, research, production, processing, transport and distribution of oil and natural and liquid gas, trade in oil and oil derivatives, rail, postal and air traffic, telecommunication, publication of RS official gazette, informing, publication of school course books, using, controlling, protection and enhancing goods of public interest (waters, roads, mineral ore, woods, sailable rivers, lakes, banks, spas, game), as well as public service activities. Activities of public interest can be performed, beside public companies, also by corporate companies, or other companies, a part of a company or an entrepreneur, according to the law which regulates their position, when the supervisory body entrusts them with performing the activity.

The Law on Foreign Trade Transactions (“RS Official Gazette” No. 101/2005) regulates foreign trade transactions, which refers to cross-border trade of goods and services. The Law regulates direct investments abroad (founding companies, branches or regional offices abroad, purchasing shares of stocks of a foreign company), any other forms of investing into the capital of foreign legal entities by domestic entities with the aim of joining the management of business activities of the foreign entity, as well as investment activities abroad.

In addition, the sphere of company law is regulated by the Bankruptcy Law (“RS Official Gazette” No. 84/04), as well as sublegal acts passed on the basis of that Law: Code of Ethics for Bankruptcy Managers (“RS Official Gazette” No. 43/05) and National Standards for Managing Bankrupt’s Estate (“RS Official Gazette” No. 43/05) influenced by UNICITRAL Model Law on Cross-Border Insolvency (General assembly resolution 52/158 of December 15, 1997).

The aforementioned Law regulates the process of liquidation of an insolvent business company by commencing bankruptcy proceedings which can be conducted in two directions: as bankruptcy with the settlement of creditors by selling the entire estate of the bankrupt party, as well as reorganization, with the settlement of creditors in a way and under the conditions stated in the reorganization plan. According to this Law, as well as the Law on Agency for Licensing Bankruptcy Administrators (“RS Official Gazette” No. 84/04) there is an Agency for Licensing Bankruptcy Administrators as an authorized institution for issuing licenses to bankruptcy administrators with the aim of ensuring a greater degree of expertise and control of bankruptcy administrators, as well as people who perform bankruptcy proceedings.

The takeover of joint stock companies is regulated by the Law on Takeover of Joint Stock Companies, published on June 2, 2006 in “RS Official Gazette” No. 46/2006. The aforementioned Law contains the key principles from the Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004 on takeover bids, such as the equal treatment of all company shareholders, the fact that shareholders must be given enough time to consider the published takeover bids, the fact that the company management is obliged to pass decisions in the best interest of shareholders, that during the takeover bid it is forbidden to create a false share price in order to undermine the takeover. However, with the aim of all the more effective result of privatisation, the Law contains a large number of exceptions to the obligation of publishing takeover bids regarding purchase and selling of shares legally owned by the Republic of Serbia.

The Securities Commission passed a Regulation on Content and Form of Takeover Bid, published in „RS Official Gazette“ No. 53/2006, as well as amendments of the Regulation published in „RS Official Gazette“ No. 100/2006.

The supervision of the enforcement of the Law and the takeover process is conducted by the Securities Commission.

Since the Law on Takeover of Joint Stock Companies entered into force, i.e. from July 2006 to December 2007, the Securities Commission approved altogether 2003 takeover bids, out of which 197 were primary, and 6 competitive takeover bids.

B) Institutional framework

The Law on Corporate companies and the Law on Registration of Business Entities in the Republic of Serbia have introduced a reform into the system of registration, so that, as from January 4, 2005, a judicial way of maintaining a register of business entities was replaced by a more efficient administrative, electronic and centralized way of maintaining registers within the jurisdiction of the Serbian Business Registers Agency (SBRA) founded by the Law on Business Register Agency (“RS Official Gazette” No. 55/04).

This way, the system of registration has become much more efficient, because earlier, when it was conducted by courts, it lasted up to several months. The Law on Registration of Business Entities limits the deadline for registration to 5 days from the date of filing a registration application; within that period it is decided whether the application is to be granted or refused – in the latter case, the applicant is advised of procedures necessary to overcome deficiencies.

SBRA has three registers: Register of Business Entities (for registration of business entities – partnerships, limited partnerships, limited liability companies, joint stock companies, public companies, cooperatives and entrepreneurs), Register of Financial Leasing and the Register of Pledges on Movable property and Rights. Since December 2005, the Register of Business Entities also registers regional offices of foreign legal entities, according to Directive regarding foundation of regional offices of foreign legal entities (“RS Official Gazette” No. 114/05), and since January 1, 2006, its annual financial reports of business entities are registered according to Article 44 of the Law on Registration of Business Entities.

By creating a Register of Business Entities, a unique, central, public electronic database, a possibility has been created to find all the relevant data on a business entity in one place, which is of great use to business entities and state institutions with which there is cooperation via electronic exchange of information.

In the period between 2005 and 2008, SBRA has transferred more than 70000 active corporate companies and 170000 entrepreneurs into the Register of Business Entities; also, more than 34000 new corporate companies and more than 94000 entrepreneurs have been registered.

SBRA is a member of the European Business Register (EBR) and the European Commerce Registers’ Forum (ECRF), as an initiator and leader in regional collaboration. When the Information Sharing Agreement was signed in June 2007, SBRA became an EBR Partner, which enabled SBRA to connect with the EBR network and thus exchange several million pieces of information on business entities registered throughout Europe and at SBRA.

Short-term priorities (2008-2010)

In order to enforce the provisions of the Law on Registration of Business Entities and mandatory electronic registration, SBRA plans to fully perform electronic registration in the period between 2009 and 2011, including: registration via Internet using qualified electronic signatures, as well as creating

electronic archives by scanning paper documentation, which would be put into practice by the project “Microfilming documentation and setting up an electronic archive of the registers of the Serbian Business Registers Agency (SBRA)”, which would further contribute to the state administration reform, greater efficiency and reduced archiving expenses. The legal framework for the aforementioned project would be the full enforcement of the Law on Electronic Signature, as well as passing additional regulations in that sphere.

The short-term aim the Serbian Business Registers Agency is implementing the project ONE STOP SHOP SYSTEM of registration, which would accelerate the process of foundation of business entities, because the number of days necessary for the registration and issuing of the tax identification number and application for mandatory insurance (pension funds, social funds and health insurance) would be reduced from the current 14 days to 5 days and a single procedure. By filing a single registration application at one place in a SBRA organizational unit, the applicant could be issued simultaneously a registration of a business entity, a registration number and a tax identification number by the Serbian Tax Administration (STA) in the shortest possible period; also, the process would ensure that the application to relevant pension funds and health insurance offices is done at the same time. Such a one-stop-shop process of registration would decrease the time and economize the process of registration, as well as the standardization of the procedure for initiating business activities on the entire territory of the Republic of Serbia. In order to put that system of registration into practice, SBRA does not plan to employ additional officers, but would use the necessary funding for the organization of the system for the technical upgrade of the Register of Business Entities.

Article 13 of the Law on Registration of Business Entities states that SBRA ensures electronic connection of the Register with other registers or databases in the Republic of Serbia or abroad, which enables cooperation with state authorities and organizations with the aim of creating conditions for issuing a single identification number for business entities (when the business entity is registered, it is issued a registration number, which is maintained in the Statistical Office of the Republic of Serbia), but in order to create legal grounds for the full implementation of the one-stop-shop system as a system of overall cooperation among the aforementioned state bodies, it is necessary to amend the Law on Tax Procedure and Tax Administration, the Old Age Pension and Disability Insurance Law, and the Health Insurance Law.

In order to further adjust company law with *Acquis Communautaire* and to regulate in detail issues not precisely defined by the provision of the Law on Corporate companies, there is a need to amend and modify this Law; that way, certain provisions would be clarified and adjusted to other related laws, which would facilitate their practical enforcement.

Since the Law on Takeover of Joint Stock Companies contains a large number of exceptions from the obligation to publish takeover bids when purchasing or selling stocks legally owned by the Republic of Serbia (in order to achieve all the more efficient results of privatization), that part of the Law will be amended so as to achieve full conformity with EU regulations.

Middle-term priorities (2010-2012)

The middle-term priorities of the Serbian Business Register Agency are to spread the scope of activities and commence new registers, as well as to participate in the work of international register associations and joint projects which would benefit the technological and informational connectivity of European registers, etc.

3.6.2 Accounting and auditing

Legal framework

The Accounting and Auditing Law (“RS Official Gazette” No. 46/06), which came into force on June 10, 2006, regulates business accounting, approving and evaluating property and obligations, income and expenses, compiling, presenting, filing, publishing and processing annual financial reports, and conditions and ways of revising financial reports and internal audits.

The provisions of this Law refer to corporate companies, cooperatives, banks and other financial organizations, insurance funds, financial leasing providers, voluntary pension funds, companies which manage voluntary pension funds, stock exchange and broker-dealer companies and other legal entities.

The Law also contains certain provisions from the Fourth (78/660/EEC), Seventh (83/349/EEC) and Eighth Company Law Directive (84/253/EEC), whose full conformity is still to be provided in the oncoming period.

Since the Accounting and Auditing Law prescribes the obligation of enforcing International Accounting Standards (IAS), i.e. International Financial Reporting Standards (IFRS), all the differences between the Fourth (78/660/EEC) and Seventh (83/349/EEC) Company Law Directive on one side and IFRS on the other, are simultaneously the differences between domestic accounting regulations and EU legislation when financial reporting issues are concerned.

1. Accounting

It is mandatory to fully apply IAS/IFRS for large or medium legal entities, mother legal entities which compile consolidated financial reports, legal entities which issue securities and other financial instruments traded at the organized market, as well as all security issuers. In order to fully conform to IAS/IFRS, it is necessary to enforce the use of all (and not only individual) standards, together with all the interpretations of standards.

According to the Accounting and Auditing Law, legal entities are divided into small, medium and large, depending on the average number of employees, yearly revenue and asset value on the day when the financial reports are created in the business year. Medium legal entities are those which fulfill at least two of the following criteria on the day when the financial reports are created:

- The number of employees in the year to which the financial report applies is between 50 and 250;
- The yearly income is between 2.5 million euro and 10 million euro in the equivalent amount of dinars;
- The average value of business assets (at the beginning and the end of a business year) is from 1 million euro to 5 million euro in the equivalent amount of dinars.

Legal entities with lower than minimal amounts in at least two of the aforementioned criteria are defined as small legal entities, and legal entities with larger than maximum amounts in at least two of the aforementioned criteria are defined as large legal entities. Medium legal entities are those with larger than maximum amounts in only one of the aforementioned criteria.

The translation of new and revised IAS/IFRS and their interpretation was published in “RS Official Gazette” No. 16 of February 12, 2008.

Small legal entities and entrepreneurs can, but do not have to apply the standards. If they chose not to, the Financial Minister has prescribed the Regulation for approving and evaluation of assets, liabilities, income and expenditures of small legal entities and entrepreneurs (“RS Official Gazette” No. 106/06, amendment 111/06) based on IAS/IFRS.

Sublegal acts passed on the basis of the Accounting and Auditing Law, in the sphere of accounting are: Regulation on chart of accounts and content of accounts in chart of accounts for corporate companies,

cooperatives and other legal entities and entrepreneurs (“RS Official Gazette”, No. 114/06), Regulation on content and form of financial reports for corporate companies, cooperatives and other legal entities and entrepreneurs (“RS Official Gazette”, No. 114/06, amendment 5/07), Regulation on chart of accounts and content of accounts in the chart of accounts for stock markets and broker-dealer companies (“RS Official Gazette”, No. 117/06), Regulation on content and form of financial reports for stock markets and broker-dealer companies (“RS Official Gazette”, No. 117/06) and the Regulation on the method and deadlines for inventories and adjusting the accounting state with the realistic state (“RS Official Gazette”, No. 106/06).

According to the Accounting and Auditing Law, the National Bank of Serbia prescribes the Chart of Accounts and the content of accounts in the chart of accounts, as well as the content and form of financial reports for NBS, banks and other financial organizations, insurance funds, financial leasing providers, voluntary pension funds and companies for managing voluntary pension funds.

2. Auditing

The part of the Law which refers to auditing regulates the conditions and modalities of auditing financial reports, internal audits, professional vocations, issuing and confiscating work permits to auditing companies, as well as control and supervision over auditing companies.

Yearly financial report auditing is mandatory for large and medium legal entities, mother legal entities which compile consolidated financial reports and legal entities which issue securities and other financial instruments in which it trades at the organized market, as well as all security issuers.

Small legal entities and entrepreneurs can opt for financial report auditing.

Tax Authorities can control financial reports of small legal entities and entrepreneurs.

There is a prescribed process of issuing and confiscating work permits and necessary conditions for founding and the managing and auditing company. Auditing companies are founded according to provisions regulating corporate companies, but they must fulfill special conditions, according to the Law. Apart from other special conditions, it is prescribed that authorized auditors or auditing companies, as well as founders of auditing companies have a majority managerial right and employ a prescribed number of accredited licensed auditors.

The Ministry of Finance registers auditing companies into the Registry of Auditing Companies according to the Regulation on the Registry for Auditing Companies (“RS Official Gazette”, No. 18/07, amendment 106/07).

The Law prescribes inspection over auditing companies by the Ministry of Finance. The Ministry of Finance also conducts supervision over the Chamber of Certified Auditors.

Institutions

Ministry of Finance

The normative regulation in the sphere of accounting and auditing is under the authority of the Ministry of Finance, the Sector for Financial System – Department of Accounting and Auditing comprised of the Group for Normative Affairs in Accounting and Audit and the Group for Inspection of Audit Companies. The Group for Normative Affairs in Accounting and Audit employs 3 – a manager, an independent adviser and a contractor. The Group for Inspection of Audit Companies currently has no employees, so that the Group for Normative Affairs in Accounting and Audit performs all the work.

National Accounting Commission

The National Accounting Commission was set up by the government in the Directive on Education of the National Accounting Commission (“RS Official Gazette”, No. 65/06). It has 7 members. The tasks

of the Commission are to follow the process of the application of EU Directives in the sphere of accounting and auditing and suggest solutions for the national legal system, follow the process of IAS/IFRS implementation and suggest the Ministry of Finance solutions for issues which could arise in the process of the implementation of those standards, follow the changes in international accounting and auditing regulations and report them to the Ministry of Finance, suggest the strategy, guidelines and action plans to improve the quality of financial reports, initiate passing new or modifying existing regulations in the accounting sphere, cooperate with the Financial Minister, the Chamber of Certified Auditors, Faculties with Departments in the sphere of accounting and auditing, as well as with domestic and foreign professional organizations. The National Commission is currently preparing the Strategy and the Action Plan for improving the financial reporting system in Serbia.

Chamber of Certified Auditors

The Accounting and Auditing Law prescribes the foundation of the Chamber of Certified Auditors. It was founded on November 15, 2006, when the founding assembly was held. The preparatory commission, formed by the Financial Minister, which had worked on the acts necessary to found the Chamber of Certified Auditors, prepared the Statute and other general acts in order to enable its work. At the founding assembly of the Chamber on November 15, 2006, the secretary-general of the Chamber, the president of the Chamber assembly, and the Chamber Council were named.

The Chamber of Certified Auditors performs the following: it follows the IAS/IFRS enforcement, the International Auditing Standards, the International Quality Control Standards and the Code of Ethics for professional accountants, follows the process of harmonization of accounting and auditing regulations with international professional regulations, creates programs, trains candidates, organizes exams, issues professional certificates and crates regulations for continuous professional development, according to international requirements for professional licensing and the Law, prescribes conditions for acquiring, extending and confiscating licenses for auditing financial reports, maintains a register of issued audit licenses, maintains a register of issued professional certificates, defines criteria and performs the validation of professional certificates acquired abroad, defines criteria for forming prices of auditing company services and other activities according to Law.

Chamber members are certified auditors employed by an auditing company, certified internal auditors or auditing companies.

Short-term priorities

Passing an Accounting Law and Auditing Law in order to achieve full conformity with the Fourth and Seventh Company Law Directive, as well as the Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC.

The National Auditing Commission ought to prepare a final Strategy and Action Plan in order to improve the financial reporting system, which will be accepted by the government.

Passing new sublegal acts with the aim of permanent conformity with IAS/IFRS.

Middle-term priorities

Achieving full conformity with EU regulations.

Financial needs

The National Accounting Commission receives resources from the budget of the Republic of Serbia.

The Chamber of Certified Auditors receives resources from membership fees, exam fees, certificate and license fees, as well as the fees for entering and requiring data from its registers, donations, sponsorships, grants and other sources according to Law.

The resources for the beginning of Chamber's operation were received from the budget of the Republic of Serbia.

Foreign assistance

World Bank's IDF Grant for Enhancing Corporate Financial Reporting Project of 285000 USD has been approved. World Bank has approved a donation for developing a reform program in order to enhance Serbian legal framework in terms of corporate financial reporting, institutions, accounting and auditing profession, support for preparation of the Strategy and Action Plan, as well as for improving institutions responsible for regulating and supervising the accounting and auditing profession. The World Bank Grant has not been realised yet. Also, the TAIEX instrument of the European Commission has approved further assistance and the realisation of that project is in store.

Institutions

The capacities of the Ministry of Finance –Accounting and Auditing Department will be enhanced in the following way:

Name of institution: Ministry of Finance/ Financial System Sector		Current number of employees	Planned (overall) number of employees per year				
			200 8	200 9.	201 0.	201 1.	201 2.
Accounting and Audit Division	Group for Normative Affairs in Accounting and Audit	2	3	3	4	4	4
	Group for Inspection of Audit Companies	0	3	6	6	6	6
Total sum:		2	6	9	10	10	10

3.7. RIGHT OF INTELLECTUAL PROPERTY

The protection of intellectual property dates back to the nineteenth century in Serbia, since the Kingdom of Serbia was one of the signatories of the Paris Convention for the Protection of Industrial Property of 1883. According to the Convention, it was obliged to found a separate Industrial Property Office, which was carried out by the Kingdom of Serbs, Croats and Slovenians in 1920, when the Industrial Property Office was formed. Today, beside the protection of industrial property, the Office is also in charge of copyrights and related rights under the jurisdiction of the Intellectual Property Office (IPO). It is a separate organization in the system of RS state administration. Keeping in mind that such IPO status is not an adequate framework for quality and efficient application of expert and development affairs under its jurisdiction, in its Plan for Enforcement of EP Priorities of 2006, the government envisaged a new Intellectual Property Agency, whereby IPO would become a self-financing agency with broader public authorization responsible directly to the government.

The right of intellectual property is under the jurisdiction of several institutions in the system of state government of the Republic of Serbia: IPO (copyright and related rights, patents, trademarks, industrial design, indications of geographical origin and topographies of integrated circuits), Ministry of Agriculture, Forestry and Water Management (plant protection), Ministry of Economy and Regional Development (protection of undisclosed information).

The sphere of intellectual property is regulated by the following separate laws: the Law on Copyright and Related Rights, Patent Law, Trademark Law, Industrial Design Law, the Law on Indications of Geographical Origin, the Law on Protection of Topographies of Integrated Circuits, and the Law on Protection of Agricultural and Forest Plants.

In the sphere of enforcing the right to intellectual property, following laws apply: the Law on General Official Proceedings, Penal Code, Criminal Procedure Code, Criminal Code, Law on Legal Actions, Customs Code, Law on Special Authorization with the Aim of More Efficient Protection of Rights to Intellectual Property, Court Law, and the Law on Court System.

3.7.1. Copyrights and related rights

3.7.1.1. State of play

3.7.1.1.1. Legal framework

- Law on Copyright and Related Rights (“Serbia and Montenegro Official Gazette” No. 61/04)
- Directive on Registering Intellectual Property and Subjects of Related Rights (“Serbia and Montenegro Official Gazette”, No. 24/2005)

The Law on Copyrights and Related Rights regulates the copyrights of authors of literary, scientific, expert and artistic works (copyright), performers’ rights, rights of the first publisher, rights of producers of phonograms, videograms, programs and databases and rights related to copyright (related rights), as well as the ways of pursuing copyrights and related rights and the court protection thereof.

When the Law on Copyrights and Related Rights was passed in 2004, the primary aim was to make it conform to the provisions in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS agreement), as well as to the following EU regulations: Council Directive 91/250/EEC on the legal protection of computer programs; Council Directive 92/100/EEC on rental right and lending right and on certain rights related to copyright in the field of intellectual property; Council Directive 93/98/EEC harmonizing the term of protection of copyright and certain related rights; Council Directive 93/83/EEC on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission; Directive 96/9/EC of the European

Parliament and of the Council on the legal protection of databases; Directive 2001/29/EC on the harmonization of certain aspects of copyright and related rights in the information society; Directive 2001/84/EC on the resale right for the benefit of the author of an original work of art.

The Republic of Serbia is a member of the following international conventions in this sphere: Berne Convention for the Protection of Literary and Artistic Works, Universal Copyright Convention, WIPO Copyright Treaty, Rome Convention on Protection of Performing Artists, Producers of Phonograms and Broadcasting Organizations, Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms, Convention Relating to the Distribution of Program-Carrying Signals Transmitted by Satellite and WIPO Performances and Phonograms Treaty.

3.7.1.1.2. Institutional framework

In the sphere of copyright and related rights, IPO performs activities regarding: producing draft laws and sublegal acts; producing grounds for negotiations; following the development of copyright and related rights system; following international regulations and performing obligations related to the applications of conventions belonging to this sphere; supervising the work of organizations for collective implementation of copyright and related rights; preparation of information, analyses and suggestions related to passing and revision of international conventions belonging to this sphere; cooperation with the World Intellectual Property Organization (WIPO) and respective offices in different countries; providing expert opinions and explanations for the implementation of regulations in this sphere; as well as providing expert information to copyright holders and holders of related rights and users of works authorship and subjects of related rights. The Department of Copyright and Related Rights, which is a separate unit within IPO, contains 5 employees.

IPO Employees have continual training for work, primarily as courses at national offices or within international institutions for intellectual property protection.

3.7.1.2. Short-term priorities (2008-2009)

3.7.1.2.1. Legal framework

3.7.2 Industrial property rights

The Legal framework consists of laws which regulate specific spheres of industrial property rights, as well as general international conventions in the sphere of industrial property, namely: Paris Convention for the Protection of Industrial Property, Convention establishing the World Intellectual Property Organization (WIPO).

Patents

- Patent Law (“Serbia and Montenegro Official Gazette”, No. 32/2004)
- Directive on procedure for legal protection of inventions (“SM Official Gazette” No. 62/2004)

When the Patent Law was passed in 2004, the primary aim was to adjust the Serbian patent law with provisions of international treaties and conventions, in particular with: Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS agreement), Convention on European Patent, last revised in 2000, Treaty on Cooperation and Enlargement between EPO and SRY; Directive 98/44/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 6 July 1998 on the legal protection of biotechnological inventions; Patent Cooperation Treaty; and partly with provisions of Law on Patent Rights.

The Law took into consideration the progress which had taken place in terms of international legal protection of patents. That particularly refers to Directive 98/44/EC, as well as introducing the

institution of Supplementary Protection Certificates (SPCs), in conformity with Council Regulation (EEC) No 1768/92 of 18 June 1992 concerning the creation of a supplementary protection certificate for medicinal products and Regulation (EC) No 1610/96 of the European Parliament and of the Council of 23 July 1996 concerning the creation of a supplementary protection certificate for plant protection products.

In terms of international patent protection, IPO has signed a Treaty on Cooperation and with the European Patent Office. Therefore, the Patent Law enables the implementation of that Treaty, according to which the registration of a European patent in Serbia has equal legal consequences and is treated under equal terms as any other international registration, while foreign applicants, using the system of enlargement, which is the subject of this Treaty, can secure the protection of their economic interests in Serbia. Also, Serbia is in the process of accession to the European Patent Office.

The Republic of Serbia is a member of the following international conventions on patent protection: Patent Cooperation Treaty (PCT), Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure and Strasburg Agreement concerning the International Patent Classification²⁴.

Trademark Law

- Trademark Law (“SM Official Gazette”, No. 61.04)
- Directive on Trademark Acceptance Procedure (“SM Official Gazette” No. 28/05)

Trademark Law regulates the procedure of acquiring and protection of rights to the trademark in order to differentiate goods and services on the market. When Trademark Law was passed in 2004, the primary aim was to adjust Serbian Trademark Law with regulations of international treaties and conventions, namely with: Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS agreement) and First Council Directive 89/104/EEC of December 21, 1988 to Approximate the Laws of the Member States Relating to Trade Marks. Therefore, a new category of certified trademarks was formed, as well as provisions which regulate trademark acquiring and protection. Besides, an institution of acquired trademark distinction was introduced, the content and scope of rights are defined in detail, and the part which refers to the cases of trademark cancellation, special cases of trademark cancellation were prescribed. Also, some solutions contained in Council Directive 40/94/EC of 20 December 1993 on the Community trade mark (separating the application for trademark acceptance, separating trademark, introducing disclaimer).

The Republic of Serbia is a member of the following conventions on trademark protection: Madrid Agreement Concerning the International Registration of Marks, Protocols to Madrid Agreement Concerning the International Registration of Marks, Trademark Law Treaty and Classification of Figurative Elements of Marks²⁵.

Design

- Law on Legal Protection of Design (“SM Official Gazette” No. 61/04)
- Directive Regarding the Process for Accepting Design Rights (“SM Official Gazette” No. 28/05).

²⁴ SFRY signed that convention on March 24, 1971, but it has not been ratified so far. However, the Office uses its provisions in practice.

²⁵ SFRY signed that convention on June 12, 1973, but it has not been ratified so far. However, the Office uses its provisions in practice.

Provisions contained in this Law conform to provisions of TRIPS Agreement to a great degree, as well as Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs, and the Geneva Act (1999) of the Hague Agreement concerning the international registration of industrial designs. When defining the meaning of design, the overall global standpoint is that design protects the outward appearance of a product, so that the division onto a model and sample as two different rights to the protection of a three-dimensional shape and a two-dimensional pattern of the product. The conditions for acceptance of design are described in detail (novelty and individual character), as well the conditions for exception from protection. The protection term has been prolonged to 25 years, exhaustion of rights was prescribed for the first time, the so-called *disclaimer* was introduced, as well as a possibility of delayed design publication and separating multiple design applications.

The Republic of Serbia is a member of the following conventions concerning design protection: International Classification for Industrial Samples and Models established by the Locarno Agreement and the Hague Agreement concerning the International Registration of Industrial Designs.

Indications of geographical origin

- The Law on Indications of Geographical Origin (“SM Official Gazette” No. 20/06)

Provisions of this Law conform to a great measure to provisions of TRIPS Agreement, as well as to Council Directive EC 535/97 of 17 March 1997 amending Regulation (EEC) No 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs. The basic notions (designation of origin, geographical indication, designation of origin) are defined according to relevant international treaties, including relevant protection conditions, ways of acquiring them and the scope of rights. Certain provisions of TRIPS Agreement were taken over – those referring to the protection of geographical indications, protection from disloyal competition was enhanced, temporary measures and measures for providing evidence were introduced, as well as insurance. The process of registering an indication of geographic origin and designation of origin was regulated in detail, as well as the relationship of the registered geographical indication and designation of origin with the previously registered trademark or company. It is possible to protect traditional, historical or homonymous names, and a process of international registration of designation of origin and geographical indication were prescribed. The number of entities who can apply for the geographical indication and designation of origin was broadened, to include also producers’ associations, trade chambers, consumer associations and state bodies interested in the protection of geographical indication or designation of origin. Court jurisdiction was also prescribed for determining generic appellations of origin and geographical indications, and there is now a greater number of entities with active license for initiating legal proceedings due to breach of geographical indication or designation of origin, and confiscation of goods and objects which breach the registered geographic indication or designation of origin was introduced.

The Republic of Serbia is a member of the following international conventions on protection of geographic indication: Lisbon Agreement for the protection of appellations of origin and their international registration and Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods.

Topographies of integrated circuits

- The Law on Protection of Topographies of Integrated Circuits (“SM Official Gazette”, No. 61/2004)
- Regulation on Protection Procedure of Topographies of Integrated Circuits (“SM Official Gazette”, No. 44/98 and 47/98)

By passing the Law on Protection Procedure of Topographies of Integrated Circuits in 2004, the legislation of the Republic of Serbia was greatly adjusted to international standards in that sphere, prescribed by the World Trade Organization and the EU, specifically by: Treaty on Intellectual Property in Respect of Integrated Circuits of 1989, signed by ex-SFRY and Council Directive 87/54/EEC Council Directive 87/54/EEC of 16 December 1986 on the legal protection of topographies of semiconductor products.

Protection of Cultivators of Plant Variety

- Law on Protection of Agricultural and Forest Plants (“SRJ Official Gazette”, 28/00)

Law on Protection of Agricultural and Forest Plants does not fully conform to the Convention of 1991 of International Union for the Protection of Plant Variety (*UPOV*), which is one of the main conditions for Serbia’s membership in UPOV. That is why a Draft Law on Protection of Cultivators of Plant Variety has been prepared, with the aim of conforming to UPOV Convention.

3.7.2.2. Institutional framework

Based on Article 39 of Law on Ministries, IPO performs expert operations and operations of state government referring to: patents and small patents, trademarks, design, indications of geographical origin, topographies of integrated circuits; application of international treaties in the sphere and representing the interests of the Republic of Serbia in specialized international organizations for protection of industrial property; as well as development of informational-educational affairs in the sphere of industrial property.

In the process of determining indications of geographical origin and accepting the status of certified IPO user, in terms of acquiring opinion on fulfillment of conditions for registering, IPO cooperates with the Ministry of Agriculture, Forestry and Water Management.

IPO employees have continuous training (considering their specific line of business), mostly in the form of courses in offices abroad and within international institutions for the protection of intellectual property rights. In 2007 three seminars of the European Patent Office (EPO) were held in Belgrade; 11 patent engineers and patent lawyers participated in seminars of EPO Academy in Munich and the Hague; 36 employees took courses of English and German languages; experts from IPO Information System Department took Microsoft MCSA course; 6 IPO experts attended professional development training in institutions for intellectual property in the USA, China, Japan and Korea.

As far as the protection of plant varieties in Serbia is concerned, the Department for approval and protection of agricultural plant varieties within the Ministry of Agriculture, Forestry and Water Management is in charge. That department covers all the issues, i.e. legal, practical and expert ones.

3.7.2.3. Short-term priorities (2008-2009)

3.7.2.3.1. Legal framework

Patents

In 2008 the government plans to create a Law on amendments and annexes to the Patent Law in order to adjust it with the new IPO status. At the same time, amendments and annexes to the Law are supposed to enhance certain provisions of the existing Law which proved to be inadequate in practice. Also, according to the government Plan for Implementing the European Partnership Priorities for 2006, which conforms to Annex 7 of the signed Stabilization and Accession Agreement, it is planned for Serbia to join the following international conventions: Patent Law Treaty and Strasburg Agreement concerning the International Patent Classification. Currently, the procedure for accepting the Draft Law on ratification of Strasburg Agreement concerning the International Patent Classification is in progress.

Trademarks

The government plans to create a Law on amendments and annexes of the Trademark Law in order to adjust it with the new IPO status. At the same time, amendments and annexes to the Law are supposed to change the provisions which regulate the process of pronouncing void trademark recognition, especially in the sphere regarding authorization for process initialization. Besides, provisions which regulate trademark protection according to civil law will be amended. Existing provisions will be amended in order to prevent registration of identical trademark for the same person and the same goods or services. The aforementioned amendments and annexes will be conducted in 2008.

As it is stated in 3.7.2.1.1., IPO uses “The Classification of Figurative Elements of Marks” in practice, and the procedure of accepting Draft Law on Ratification of Vienna Agreement Establishing an International Classification of Figurative Elements of Marks of June 12, 1973 is currently in progress. The creation of Draft Law on Ratification of Geneva Act on Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, as well as Draft Law on Ratification of Singapore Treaty on the Law of Trademarks is planned for 2009.

Design

In 2008 the government plans to create a Law on amendments and annexes to the Law on Legal Protection of Design in order to adjust it with the new IPO status. At the same time, amendments and annexes to the Law are supposed to enhance certain provisions of the existing Law which proved to be inadequate in practice.

The procedure for accepting the Draft Law on the ratification of Geneva Act of the Hague Agreement concerning the international registration of industrial designs passed at the diplomatic conference of July 2, 1999 (Geneva Act) is currently in progress. Since Geneva Act introduced a number of new provisions which conform to TRIPS Agreement provisions, and since, by ratifying that document on January 1, 2008, the European Union joined the Geneva Act, domestic natural persons and legal entities will be enabled to internationally protect their design in all EU countries as the so-called “communitarian design”.

Indications of geographic origin

The government plans to create a Law on amendments and annexes to the Law on Indications of Geographic Origin in order to adjust it with the new IPO status. At the same time, the provision on status term of the certified user will be changed in order to enhance control over the fulfillment of conditions for the status of certified user. Draft Directive on the Procedure for registering indications of geographic origin and recognition of the status of certified user of an indication of geographic origin is still in progress.

Topographies of integrated circuits

In 2008 the government plans to pass a Law on amendments and annexes to the Law on Topographies of Integrated Circuits, which will assist the conformity of the Law to the situation after the break-up of Serbia and Montenegro.

Protection of Cultivators of Plant Variety

The government plans to pass Draft Law on Protection of Rights of Cultivators of Plant Variety and ratification of UPOV Convention from 1991. After that a sublegal act will be passed.

3.7.2.3.2. Institutional framework

In order to legally organize IPO status and enable IPO to respond to demands and efficiently fulfill its obligations, in its Plan for Enforcement of EP Priorities of 2006 the government planned a Draft Law on

Intellectual Property Agency, according to which IPO would become a self-financing agency with broader public jurisdiction, responsible directly to the government.

As for the number of IPO employees, it corresponds to the Directive from 2005, although the realistic needs are far greater, especially considering its new obligations. The number of IPO employees is the result of a compromise between the real needs and the requirements for “budget cuts” which is inadequate in this case, because IPO budget expenses are compensated by IPO budget income. IPO income originates from administrative taxes in the process of application and continuation of rights to industrial property, as well as fees for certain services. Also, given that IPO participates in the system of international protection of patents, trademarks, industrial design and designations of origin, according to relevant international conventions, the greatest part of IPO income is in foreign currency. The gap between the optimal and realistic number of employees indirectly influences IPO’s inability to have far greater income than the current one. That way, the existing budget restrictions have become immanent limitations of IPO to conduct its activities more efficiently and thus be in the position not only to support itself, but also to have far greater income in comparison to its expenses, which is the case with most European patent offices.

At the moment, there is a project called “Operative and Organizational Assistance to the Patent Office” in IPO financed by US administration, in cooperation with the US Trade and Development Agency (USTDA), and it refers to assistance in preparation and realization of IPO transformation into an Agency.

The Draft Law on Protection of Rights of Cultivators of Plant Variety plans to transfer the protection of rights of cultivators to the Seed-Research Office, whereas the Ministry of Agriculture will supervise the implementation of Law on Seed-Research Office Operation. Furthermore, within the Ministry of Agriculture, the National Council for the Protection of Rights of Cultivators of Plant Variety would be formed. Enhancing institute’s capacities is planned by the means of trainings and development of employees from the Seed-Research Office, test laboratories and the Ministry itself who work in the sphere of the Draft Law. It is planned to provide the necessary means for testing plant variety in field tests and laboratory tests.

3.7.2.4. Middle-term priorities (2010-2011)

3.7.2.4.1. Legal framework

When the Stabilization and Association Council, the European Commission and Short-Term Observers evaluate the legal framework, the Law on Intellectual Property will be amended.

3.7.2.4.2. Institutional framework

In order for IPO to take over new functions, both in the sphere of copyright and related rights and the sphere of industrial property, it is necessary to develop an IPO informational-educational center. The assistance for that national IPA project has already been requested from the EU.

3.7.3. Putting intellectual property rights into practice

In the process of European integrations, before the end of the transition process, the Republic of Serbia will have to guarantee for the level of protection similar to that in the EU for the rights to intellectual, industrial, and trade property, including the means for putting those rights into practice, according to provisions of Article 75 of the Stabilization and Accession Agreement, as well as Article 40 of the Interim Agreement. Also, Serbia must implement the provisions of TRIPS Agreement into its positive legal system, which comprises measures for implementation of rights for efficient protection of intellectual property rights.

The provisions which refer to the implementation of rights to intellectual property are contained in separate laws from this sphere, but also in laws which regulate civil, criminal and legal offences. Those provisions greatly conform to international agreements from the sphere of intellectual property and TRIPS Agreement, as well as the provisions of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights.

3.7.3.1. State of play

3.7.3.1.1. Legal framework

The legal framework for the implementation of intellectual property comprises the following: Criminal Code (“RS Official Gazette”, No. 85/05-amend, 88/05-amend, 107/05), Customs Code (“RS Official Gazette”, No. 73/03, 61/05, 85/05-state law, 62/06-state law), Law on Special Authorization with the Aim of More Efficient Protection of Rights to Intellectual Property (“RS Official Gazette”, No. 46/2006), Court Law (“RS Official Gazette”, No. 46/91, 60/91-amend, 18/92-amend, 71/92, 63/2001-state law, 42/2002-state law, 27/2003 – state law, 29/2004-state law), Law on Court System (“RS Official Gazette”, No. 63/2001, 42/2002, 27/2003, 29/2004, 101/2005 and 46/2006), Patent Law, Trademark Law, Law on Legal Protection of Design, Law on Indications of Geographic Origin, Law on Protection of Topographies of Integrated Circuits and the Law on Copyright and Related Rights.

The protection of intellectual property can be performed by the means of civil, administrative, offence, and criminal procedures regulated by the following laws: Law on General Administrative Procedure (“RSY Official Gazette”, No. 33/97 and 31/2001), Law on Civil Procedure (“RS Official Gazette”, No. 125/2004), Criminal Procedure Act (“RS Official Gazette”, No. 46/06, 49/07) and the Law on Offences (“RS Official Gazette”, No. 101/2005).

The Criminal Code ensures criminal legal protection of intellectual property. The provisions of the Criminal Code do not fully conform to the provisions from Article 61 of the TRIPS Agreement. This primarily refers to the obligation of confiscation of assets for the commitment of criminal acts, which can be confiscated if they are in the possession of the perpetrator, according to Article 87, Paragraph 1 of Criminal Code. TRIPS Agreement stipulates an imperative norm, i.e. mandatory confiscation and destruction of the goods which breach the rights, as well as all materials and tools (equipment) which were primarily used to commit the criminal act, notwithstanding their ownership.

Special laws which regulate intellectual property protection contain provisions on civil legal protection in case of breach of intellectual property rights, as well as penal measures. The provisions on civil legal protection stipulate the content of prosecution request in case of breach of intellectual property rights, as well as liability for the damages. Besides, those provisions regulate court actions on the basis of legal action against the breach of intellectual property rights (provisions on the cancellation of the proceedings, determination of temporary measures, providing evidence). Criminal provisions stipulate responsibility for commercial offence and responsibility for legal offence.

The Law on Special Authorization with the Aim of More Efficient Protection of Rights to Intellectual Property stipulates special authorization to inspection bodies with the aim of inspection over the production and trade of goods and providing services which breach intellectual property rights.

Customs Code of 2003 in Chapter 4, Article 240-247 contains provisions which refer to the protection of intellectual property rights at the border. According to that law, a Directive on Authorized Customs Operation with Customs Goods, Releasing Customs Goods and Charging Customs Fees was passed (“RS Official Gazette”, No. 127/03, 20/04, 24/04, 63/04, 104/04, 44/05, 71/05, 76/05, 106/05, 05/06, 10/07, 25/07, 80/07) – it entered into force on January 1, 2004. When the aforementioned directives were created, they were carefully adjusted with the EU legal system, in particular: Council Regulation

1383/2003 of July 22, 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights, and Commission Regulation 1891/2004 of 21 October 2004 laying down provisions for the implementation of Council Regulation (EC) No 1383/2003. In 2007, in cooperation with CAFAO – EU Customs and Fiscal Assistance Office, the Customs office created a Draft Law which refers to the customs aspects of the protection of intellectual property rights at the border, which was submitted to the Ministry of Finance at the end of December 2007 for further procedure. That Draft Law stipulates further and full conformity to European customs legal standards in the sphere of customs protection of intellectual property rights.

Article 11 of the Law on Special Authorization with the Aim of More Efficient Protection of Rights to Intellectual Property gives the Tax Administration of the Ministry of Finance special authorization to protect intellectual property rights of computer programs (software) and databases. The Ministry of Trade and Services (by the means of market inspection, and on the basis of the aforementioned Law) carries out inspection over the production and trade of goods which breach intellectual property rights and over the production and trade of goods protected by copyright and related rights.

3.7.3.1.2. Institutional framework

In the process of implementing intellectual property rights, the main participators are: the Ministry of the Interior, the Ministry of Finance, Customs Office, the Tax Administration, the Ministry of Justice, the Ministry of Trade and Services, market inspection, as well as courts and prosecution.

Within Criminal Police Administration of the Department for Fighting against Organized Crime of the Ministry of the Interior, a Department for Fighting against High-end Technology Crime has been formed, containing a Department for the Protection of Intellectual Property Rights. The Law on Organization and Authorities of State Organs for Fighting against High-end Technological Crime stipulates the creation of a special Service for Fighting against High-end Technological Crime, which means that the current institutional framework is not adequate. Also, the provisions of the aforementioned Law do not conform to the provisions of the Convention on Cybercrime, passed at the Committee of Ministers of the Council of Europe on November 8, 2001; therefore, it is necessary to modify this Law in order to define the term of high-end technological crime more adequately and adjust the authority of state organs with the provisions of the aforementioned Convention.

The Department for Protection of Intellectual Property of Customs Office is within the Sector for Control and Implementation of Customs Regulations. That Department currently employs 11 people, which is insufficient, especially when the operative aspect of Department's activity is considered. The employees in Customs Office attend continuous training, mostly courses in customs offices abroad, as well as within international institutions, primarily World Customs Organization.

In order to fulfill the aforementioned obligation of intellectual property protection regarding computer programs and databases, the Ministry of Finance has – in cooperation with Business Software Alliance (BSA) – educated all tax inspectors and tax police inspectors on the topic “How to recognize legal software?”. In January and February 2008 there were 263 controls and 32 taxpayers were found guilty of breach of intellectual property rights. The authorized public prosecution was submitted legal actions on the basis of the committed offence against 32 taxpayers – legal entities and persons responsible within legal entities. Tax Administration has narrower capacities in the control function, which is a limiting factor in terms of number of inspections in the oncoming period.

Civil legal protection of intellectual property rights is under the jurisdiction of district courts, courts of general jurisdiction and commercial courts. At the second instance, it is under the jurisdiction of the Supreme Court, as well as the court of general jurisdiction and the Higher Commercial Court.

Criminal legal protection of intellectual property rights is under the jurisdiction of municipal courts of first instance, and the Court Council of the District Court for legal actions.

3.7.3.2. Short-term priorities (2008-2009)

3.7.3.2.1. Legal framework

The Criminal Code must be amended in terms of: the criminal offence for “unauthorized use of another’s company name” from Article 233 ought to be transferred to the Chapter on Criminal Offences against Intellectual Property; also, the criminal offence for “revealing business secrets” from Article 240 ought to be transferred to the Chapter on Criminal Offences against Intellectual Property because, according to the TRIPS Agreement, business secrets belong to the sphere of intellectual property.

The Law on Criminal Procedures ought to be added new special investigative methods and the possibility of the implementation of current provisions for criminal offences against intellectual property ought to be broadened, which would adjust the provisions of the Law with the European Convention on Cybercrime regarding the breach of copyright and related rights on the Internet.

The Customs Office expects to pass a new Customs Code by the end of 2008.

3.7.3.2.2. Institutional framework

It is necessary to improve capacities for computer and cyber forensics, primarily by equipping the Ministry of the Interior with suitable hardware and software forensic tools and by training experts for computer and cyber forensics, as well as training the members of a specialized service for fighting against high-end technological crime.

It is also necessary to evaluate the organization and jurisdiction of courts regarding the protection of intellectual property rights and to choose the most adequate model.

The modernization of market inspection will be directed towards ensuring material and technical devices for work. In this period, the Ministry of Trade and Services will continue to educate market inspectors in the sphere of the protection of intellectual property rights by the means of organized congresses, seminars and workshops, as well as directives.

3.7.3.3. Middle-term priorities (2010-2011)

3.7.3.3.2. Institutional framework

It is necessary to further enhance the institutional framework for the efficient protection of intellectual property rights, which means expanding the number of employees and expert training, as well as constant modernization according to the technological development. In the cases in which the breach of intellectual property rights becomes organized crime, it is necessary to cooperate with the state prosecution and the Ministry of the Interior.

On the basis of the evaluation of the organization and jurisdiction of courts, relevant amendments of laws which regulate court jurisdiction and court organization will be performed. In order to further adjust the domestic legal system with that of the EU, and especially with Protocols on court procedures, rights of exclusion and courts CELEX No. 41989A0695(03), 41989A695(4) and 41989A695(5), it is also planned to: found special courts of first instance for the protection of intellectual property rights; found courts of second instance for the protection of intellectual property rights; as well as conduct legal measures which would ensure that the aforementioned courts should fit into the existing organized court network of the Republic of Serbia.

Table 1

IPO needs for increasing the number of employees

FIRST DRAFT
UNOFFICIAL TRANSLATION

Name of institution	Whether the institution exists or is planned	Current number of employees	<i>Planned (overall) number of employees (yearly)</i>				
			2008	2009	2010	2011	2012
IPO	Existing	103	122	126	132	137	142
Arbitration Commission (IPO)	Planned within IPO	0	0	1	1	1	1
Sector for Informational and Educational Operations	Planned within IPO	0	0	5	7	7	7
Total		103	122	132	140	145	150

Needs for increasing the number of employees of the Ministry of the Interior – Service for Fighting Organized Crime

Name of the institution	Whether the institution exists or is planned	Current number of employees	<i>Planned (overall) number of employees (yearly)</i>				
			2008	2009	2010	2011	2012
Department for Fighting High-end Technological Crime	Existing	2	4	6	7	7	7
Department for Fighting Commercial Crime	Existing	2	2	3	4	5	5
Total		4	6	9	11	12	12

Ministry of Finance – Tax Administration performs operations based on the provisions of Articles 6, Paragraph 1, Point 4 and Article 11 of the Law on Special Authorization with the Aim of More Efficient Protection of Rights to Intellectual Property within the regular activities of tax inspectors and tax police and has no employees, nor does it plan to employ any for that purpose.

Customs Office – Department for Protection of Intellectual Property is unable to submit the data on planned capacities for technical reasons.

Ministry of Justice – is unable to submit the data on the planned administrative capacities regarding the foundation of courts for intellectual property, because the Law on Court Network is in the process of preparation. That Law will solve the issue of courts for the protection of intellectual property rights by defining court jurisdiction, their number, as well as the number of judges and other employees.

Needs for increasing the number of employees of the Ministry of Trade and Services – Market Inspection Sector

FIRST DRAFT
UNOFFICIAL TRANSLATION

Name of the institution	Whether the institution exists or is planned	Current number of employees	<i>Planned (overall) number of employees (yearly)</i>				
			2008	2009	2010	2011	2012
Market inspection sector	Existing	100 ²⁶	101	106	111	114	117
Total		100	101	106	111	114	117

Needs for increasing the number of employees of the Ministry of Agriculture, Forestry and Water Management – Department for Accepting and Protection of Agricultural Plant Variety

Name of the institution	Whether the institution exists	Current Number of Employees	<i>Planned (overall) number of employees (yearly)</i>				
			2008	2009	2010	2011	2012
Department for Accepting and Protection of Agricultural Plant Variety	Exists	12	13	15	15	17	17
National ²⁷ Council for the Protection of Rights of Cultivators of Plant Variety	Planned	-	-	3	5	5	5
Total		12	13	18	20	22	22

²⁶ Out of all employees in the Sector of Market Inspection, 100 market inspectors operated with the aim of protecting intellectual property rights in 2007, including the Department for Coordination and Control of Services, Preventing Disloyal Competition, and Expert Activities Regarding Inspection (at the seat of the Sector of Market Inspection of the Ministry of Trade and Services), which has 7 employees who process and prepare decisions upon requirements for the protection of intellectual property rights and join the data on the activities of all market inspectors. The Planned need for the greater number of employees is primarily due to the increase in the number of executors of requests for the protection of intellectual property rights and coordination of direct inspection.

²⁷ The Draft Law on the Protection of Plant Variety, passed at UPOV Assembly on 11.04.2008 in Geneva, stipulates the formation of that institution.

3.8. COMPETITION POLICY

3.8.1. Competition policy

3.8.1.1. State of play

3.8.1.1.1. Legal framework

The Law on Protection of Competition (“RS Official Gazette”, No. 79/05) regulates the sphere of competition for the first time on the Serbian market. That Law regulates the sphere of restrictive contracts which restrict competition or misuse dominant position, implements the right of competition on public companies and companies with special rights, and controls the concentration on the Serbian market with the aim of preventing dominance.

According to the Law, a Commission for the Protection of Competition was formed as an independent body which supervises the implementation of the Law. The Commission can motion competition regulations to the government. Although it is in charge of implementing the Law, the Commission is not authorized to pass penalties for breaking the law, but it can commence an offence procedure before the magistrate. Amendments of this Law are in the process of creation and are expected to be passed at the National Assembly in the fourth quarter of 2008.

Following directives were passed on the basis of this Law:

1. Directive on the content and form of application for the issuing of approval for performing concentration (“RS Official Gazette”, No. 94/2005),
2. Regulation on criteria for determining the relevant market (“RS Official Gazette”, No. 94/2005).

The Law partly conforms to *Acquis communautaire*. It does not conform in the part which defines the jurisdiction of the Commission for the Protection of Competition. The Law has been adjusted to conform to the EU provisions comprised in the following EU acts:

1. Articles 81, 82 and 86 of the Treaty Establishing the European Community,
2. Council Directive 139/2004,
3. Council Directive 1/2003,
4. Council Directive 1216/1999,
5. Council Directive 1215/1999,
6. Directive of the European Commission 2790/1999,
7. Council Regulation No 19/65/EEC of 2 March of the Council on application of Article 85 (3) of the Treaty to certain categories of agreements and concerted practices,
8. Notice of the European Commission on defining the relevant market due to the needs of competitive community, SL 1997, No. C 327/5.

In the sphere of competition, several other separate laws are relevant: those which regulate sector issues, such as: The Law on General Administrative Procedure (“SRY Official Gazette” No. 33/97, 31/2001 and “SM Official Gazette” No. 1/2003), which regulates the procedure of the Commission for the Protection of Competition, Law on Banks (“RS Official Gazette” No. 107/2005), which authorizes the National Bank of Serbia to regulate the question of competition protection in the bank sector; Pricing Law (“RS Official Gazette” No. 79/05), which authorizes the government to pass temporary measures for the prevention and fixing irregularities in the case of alterations of the market formed by the monopoly on the price-formation or misuse of dominant position; Energy Law (“RS Official Gazette”

No. 84/04), which regulates the issue of competition in the energy sector; Railway Law (“RS Official Gazette” No. 18/05), which regulates the issue of competition in the railway sector, and the Telecommunications Law (“RS Official Gazette” No. 44/03 and 36/06).

Although these laws only partially regulate the issue of competition, since that is not the basic scope of their regulation, it is necessary for them to conform to the Law on the Protection of Competition.

The Law on the Protection of Competition is the main source of regulations for the protection of competition, including the regulation of special sectors, which might be the subject of regulating special sector laws.

3.8.1.1.2. Institutional framework

The sphere of protection of competition is under the jurisdiction of the Ministry of Trade and Services (legislative role) and the Commission for the Protection of Competition (supervisory role).

The Ministry is in charge of creating a system of protection of competition and suggesting regulations in the sphere of competition, passed by the government. According to Article 14 of the Law on Ministries (“RS Official Gazette”, No. 48/07), the Ministry of Trade and Services performs the operations of state authority in the sphere of prevention of monopoly action and disloyal competition. Within the Ministry, the Group for Protection of Competition within the Sector of Trade, Pricing and Customer Protection is in charge for the issues of competition, and it comprises 3 (three) employees (2 with university degree and 1 with high-school diploma). The Group was founded on September 1, 2007 (Regulation No. 110-00-49/2007-05), since the Commission for Protection of Competition, upon its foundation in September 2005, took over all the employees from the Department of Antimonopoly Operations of the Ministry of Trade and Services.

According to the Law on Protection of Competition a Commission for Protection of Competition was formed as an independent institution in charge of supervision over the implementation of the Law. Besides, the Commission has the right to suggest the government to pass regulations in the sphere of competition and give opinions on other laws regulating the issue of competition. The Commission commenced work in April 2006.

The Commission has two bodies:

- The Council consisting of 5 members elected by the RS National Assembly for 5 years, which passes decisions on breach of the Law on Protection of Competition,
- Expert Service managed by the Service Director, comprising employees who perform expert or administrative and technical operations.

The Council has five (5) members, out of which two (2) are employed full-time, and the remaining three (3) are contractors.

The Service has seventeen (17) officers taken over from the Department of Antimonopoly Operations of the Ministry for Trade and Services, upon passing of the Law on Protection of Competition in September 2005. Out of the existing officers, nine (9) are experts who process the cases, three (3) perform additional work; three (3) financial operations and two (2) are technical persons. (Altogether 12 employees have university degree, 2 college degree and 3 high-school diploma).

Recent training:

So far, nine (9) employees have participated in training, i.e. workshops and seminars held by OECD, the International Competition Network (ICN) and *Fordham Competition Law School*.

In the period from 2008 to 2010 it is planned to carry out the project of the European Agency for Reconstruction for increasing capacity of the Commission for Protection of Competition (project value 1.979 million euro).

3.8.1.2. Short-term priorities (2008-2009)

3.8.1.2.1. Legal system

In January 2008 the government finalized the Draft Law on amendments and annexes to the Law on Protection of Competition and submitted it for acceptance to the National Assembly. The Ministry of Trade and Services formed a work group with that aim. The deadline for passing the Law in the National Assembly in the fourth quarter of 2008.

The Draft Law stipulates the change of the system of control of concentration, which would enable the control of the most important concentration and liberate the resources of the Commission for Protection of Competition for activities of preventing restrictive contracts and misusing dominant position. The Draft Law stipulates enhancing authorization of the Commission for Protection of Competition so that it would be authorized to sanction breach of the Law.

When the Law on amendments and annexes of the Law on Protection of Competition is passed by the National Assembly, it is planned to pass a Regulation on the types of forbidden contracts, exemptions and conditions for exemption in the fourth quarter of 2008. That regulation will introduce the following EU regulations into domestic legislation: Commission Regulation 2790/1999 of 22 December 1999. on categories of vertical agreements and agreement practices, Commission Regulation 2658/2000 on categories of specialization agreements, Commission Regulation 2659/2000 on categories of research and development agreements, Commission Regulation 772/2004 on categories of technology transfer agreements and Commission Regulation 1400/2002 on categories of vertical agreements and concerted practices in the motor vehicle sector.

Full conformity with the aforementioned regulations is planned. The aim is to regulate the issue of allowed exemptions from the ban on restrictive contracts.

Institutions responsible for passing the Regulation: the Ministry of Trade and Services and the Commission for Protection of Competition.

According to European Partnership, the Law on amendments and annexes to the Pricing Law (“RS Official Gazette”, No. 79/05) will be passed in order to conform to the Law on Protection of Competition.

Institution responsible for the application of the Law: the Ministry of Trade and Services.

3.8.1.2.2. Institutions

The capacities of the Ministry of Trade and Services will be enhanced by the professional development of employees and acquiring new equipment with the aim of following the operations on the market for the enhancement of the policy for the protection of competition and possible amendments to the Law and sublegal acts, according to the operations on the Serbian market.

The capacities of the Commission for Protection of Competition will be enhanced by employing new personnel, professional development of employees and acquiring new equipment with the aim of following the operations on the market for the enhancement of the policy for the protection of competition and possible amendments to the Law and sublegal acts, according to the operations on the Serbian market.

It is planned to employ the following employees:

- Group for Protection of Competition in the Sector for Trade, Pricing and Consumer Protection:

Due to the increased operational scope it is necessary to employ at least three more employees with university degree next year since, beside the Law, it is necessary to pass a series of sublegal acts necessary for its implementation. NPI operations have so far been conducted by only one officer.

- Commission for Protection of Competition:

According to amendments and annexes to the Law on Protection of Competition full professionalization of the Council is planned, which means employing the five (5) members of the Council full-time.

By the end of 2008 it is planned that fifteen (15) more professionals be employed.

Within the “Project for improving the institutional capacities of the Commission for Protection of Competition” financed by the European Union and supervised by the European Agency for Reconstruction,²⁸ between January 2008 and December 2010 (in 36 months) a fund of 1979100 euro will be enabled. The first component of the project is aimed at enhancing the institutional capacity of the Commission and assisting its independent functioning in respect to other state bodies.

3.8.1.3. Middle-term priorities (2010-2012)

3.8.1.3.1. Legislation

It is necessary to analyze the conformity of other laws regulating the issues important for the protection of competition to the Law on Protection of Competition until 2010, in order to adjust them with the Law on Protection of Competition. Special stress ought to be on laws regulating the operation of public companies and companies with special authorization, in order to enable the implementation of competition rules in that sector by the beginning of 2011, according to Article 74 of SAA.

It is necessary to pass a Law on amendments and annexes to the Law on Banks (“RS Official Gazette”, No. 107/2005) in order to cancel the authorities given to the National Bank to regulate the protection of competition in the bank sector.

3.8.1.3.2. Institutions

It is also necessary to train judges who deal with the cases in the sphere of competition. The new Draft Law on amendments and annexes to the Law on Protection of Competition transfers authority for sanctioning and proceedings of second instance from magistrates’ courts to the Higher Commercial Court. In that domain, the institutional structure already exists, but it must be improved by enhancing its capacities, i.e. by the adequate training of judges about the policies and rights of competition.

The capacity of the Ministry of Trade and Services and the Commission for Protection of Competition will be enhanced in the following way:

The plan for employing new personnel and training:

Table 1.

Needs of state institutions for additional employees

Name of the institution	Whether the institution exists or is planned	Current number of employees	Planned (overall) number of employees (yearly)					
			2008.	2009	2010	2011	2012	

²⁸ Contract EAR/06 SER 01/09/001

Ministry of Trade and Services		Existing	3	3	6	6	6	6
Commission for Protection of Competition	Council	Existing	2	5	5	5	5	5
	Service	Existing	17	32	32	35	38	40
Total			22	40	43	46	49	51

3.8.1.4. Financial needs

Table 2a. Financial needs

	2008	2009	2010	2011	2012
Ministry of Trade and Service	2.089.200	3.799.200	3.799.200	3.799.200	3.799.200
Commission for Protection of Competition	7.517.768	5.531.768	6.328.445	7.125.122	7.656.240
Total	9.606.968	9.330.968	10.127.645	10.924.322	11.455.440

3.8.2. State aid

3.8.2.1. State of play

3.8.2.1.1. Legal framework

The legal framework in the sphere of control of state aid has not been formed yet, i.e. the Law on controlling state aid has not been passed yet (hereinafter: the Law) and following sublegal acts.

In the last quarter of 2007 a public debate on the Draft Law on Control of State aid was conducted and the accepted suggestions were incorporated into the text of the Draft Law. The text of the Draft Law was prepared for the procedure of acquiring opinion, stated in Article 46 of the Government Internal Rules ("RS Official Gazette", No. 61/06), but due to the premature cancellation of the government mandate and adjournment of the National Assembly, that procedure was temporarily cancelled until new parliamentary elections are held and the new government constituted and in power.

For the first time in the Republic of Serbia a legal framework in the sphere of the control of state aid will be constituted. The aim of the Law is to protect free competition on the market by founding a process and stating criteria for granting state aid, as well as or enhancing commercial development by implementing the principle of market economy. According to the solutions from the Draft Law, the Commission for Control of State aid (hereinafter: the Commission) is formed, authorized to decide on conformity of the applied for (previous control) and granted state aid (subsequent control) with the aforementioned Law and submitting an annual report on granted state aid on all levels of power in the Republic of Serbia to the government. Also, the Draft Law states the obligation of the body which grants

state aid, as well as the body which suggest the regulations on the basis of which it is possible to grant state aid, to register planned state aid to the Commission before its being granted with the aim of evaluating its conformity to the Law, as well as the ban on granting registered state aid prior to the Commission's decision. According to the Law, the body granting state aid is obliged to immediately take all measures to retrieve state aid increased by the legal default interest rate if the Commission passes a decision on retrieving granted state aid in the procedure of subsequent control.

According to the Law, sublegal acts will be passed, both those under the jurisdiction of the government and those under the jurisdiction of the Minister of Finance. Sublegal acts passed by the government regulates more closely the rules for the preparation and registration of the scheme of state aid and individual state aid and evaluates the conformity of the registered and granted state aid with the Law. The aforesaid means creating regulations for granting and using state aid according to the EU *Acquis communautaire* in the sphere of state aid.

The sublegal act under the jurisdiction of the Minister of Finances stipulates the methodology for creating annual reports on granted state aid in the Republic, deadlines for data submission and deadlines for the submission of the report to the government.

The Draft Law conforms to *Acquis communautaire* and the regulations contained in the following EU acts:

1. Treaty Establishing the European Community – Articles 87-89,
2. Council Directive No. 659/1999,
3. Council of the European Commission No. 794/2004.

Sublegal acts will ensure the conformity with the following secondary EU regulations in the sphere of state aid:

1. Commission Regulation (EC) No 364/2004 of 25 February 2004 amending Regulation (EC) No 70/2001 as regards to extension of its scope to include aid for research and development;
2. Commission Regulation No 363/2004 of 25 February 2004 amending Regulation (EC) 68/2001 on the application of Articles 87 and 88 of the EC Treaty to training aid;
3. Commission Regulation No 2204/2002 of 12 December 2002 on the application Articles 87 and 88 of the EC Treaty to State aid for employment;
4. Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises;
5. Commission Regulation No 70/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to State aid to small and medium-sized enterprises;
6. Guidelines on national regional aid for 2007-2013, C 54 of 4.3.2006;
7. Communication from the Commission – Multisectoral framework on regional aid for large investment projects, C 70 of 19.3.2002;
8. Communication from the Commission Rescue and restructuring aid and closure aid for the steel sector, C 70 of 19.3.2002;
9. Community Framework for State aid for Research and Development and Innovation, OJ C 323 of 30.12.2006;
10. Community Guidelines on State aid for environmental protection C 37 of 3.2.2001.

11. Community Guidelines on State aid to promote risk capital investments in small and medium-sized enterprises C 194 of 18.8.2006;
12. Community Guidelines on state aid for rescuing and restructuring firms in difficulty, C 244 of 1.10.2004;
13. Commission Notice on the application of Articles 87 and 88 of the EC Treaty to state aid in the form of guarantees, C 71 of 11.3.2000;
14. Commission Communication concerning aid elements in land sales by public authorities, C 209 of 10.7.1997.
15. Commission Communication pursuant to Article 93(1) of the EC Treaty applying Articles 92 and 93 of the Treaty to short-term export-credit insurance (2005/C 325/11)
16. Community Framework for State aid in the form of public service compensation, C 297 of 29.11.2005
17. Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid
18. Commission notice on the application of the State aid rules to measures relating to direct business taxation (98/C 384/03).

In the process of creating sublegal acts regulating the criteria for conformity of state aid with the Law and international treaties, it will be taken into consideration that the Republic of Serbia as a whole has a status of a region stated in Article 87(3) (a) of the EC Treaty in the period of 5 years upon the implementation of SAA and the Interim Agreement. That is defined in Article 73 of SAA, point 7.

However, even though the legal framework is still not formed, since 2004 annual reports on granted state aid are prepared in the Republic of Serbia. The first such report for 2003 and the period of January-September 2004 was accepted by the government in November 2004. The aforementioned report was evaluated by the representatives of the European Commission at the 7. Meeting of the “Enhanced Constant Dialogue” in April 2005 as conformed to the EU practice in terms of the form and content. That report was updated with the data for the whole of 2004, and the report for 2003 and 2004, was accepted by the government in May 2006. The annual report for 2005 was accepted by the government in July 2007. It was prepared according to the EU methodology in the sphere of reporting as much as possible. The latest report for 2006 was prepared in the form of a suggestion with the opinions of line ministers, according to the government internal rules. However, that report will be submitted to the government for adoption only upon the constitution of the new government. The creation of annual reports is an obligation which originates from SAA, Article 73, point 5, which stipulates the obligation of annual reporting, which provides transparency in granting and using state aid.

The following domestic regulations are important for the issues of control of state aid:

- 1) The Budget System Law (“RS Official Gazette”, No. 9/02 and 87/02) which, among others, regulates using public resources and the control of that use;
- 2) Law on State Audit Institution (“RS Official Gazette”, No. 101/05 and 54/07), which regulates, among others, the subjects of auditing, mostly potential grant-issuers, but also the users of state aid;
- 3) Set of fiscal laws: Enterprise Profit Tax Law (“RS Official Gazette”, No. 25/01, 80/02 and 84/04); Personal Income Tax Law (“RS Official Gazette”, No. 24/01, 80/02 and 135/04); Law on Tax Procedure and Tax Administration (“RS Official Gazette”, No. 80/02);

- 4) Law on Settlement of Public Debt (“RS Official Gazette”, No. 61/05), because it refers to guarantees, an important instrument of state aid;
- 5) Law on Development Fund of the Republic of Serbia (“RS Official Gazette”, No. 20/92 and 106/05)
- 6) Law on Guarantee Fund (“RS Official Gazette”, No. 55/03, 43/04 and 61/05);
- 7) Law on Insurance Agency and Export Finance (“RS Official Gazette”, No. 61/05);
- 8) Law on Ministries (“RS Official Gazette”, No. 43/07) – apart from the authorities of ministries also in the part which refers to the Serbian Investment and Export Promotion Agency)
- 9) Annual Budget Law for each year;
- 10) All other regulations for granting state aid.

3.8.2.1.2. Institutional framework

The implementation of the Law is under the jurisdiction of the Ministry of Finance. The Draft Law stipulates that expert, administrative and technical operations of the Commission ought to be carried out by the Ministry of Finance.

The Commission is the Body consisting of 5 members named by the government at the motion of the Ministry of Finance, Ministry of Economy and Regional Development, Ministry of Infrastructure, Ministry of Environment and the Commission for Protection of Competition.

The Commission will control granted state aid to the subjects on the internal market of the Republic of Serbia in the way conforming to the European Commission on the joint European market. Commission’s task will be to evaluate the conformity or registered new schemes of state aid and individual state aid in the process of previous control with the Law and sublegal acts, and in the process of subsequent control, in case the Commission passes a decision on inconformity, obliges the issuer of state aid to take all measures to return the illegally acquired or used state aid, increased by the legal default interest rate. That way, the Republic of Serbia will ensure the implementation of rules for granting and using state aid and will acquire the necessary experience prior to its accession to the EU, when the operation and jurisdiction of the Commission will cease and the obligation of registering planned state aids to the European Commission will enter into force.

Since 01.08.2005. the operations of controlling state aid have been conducted by the Department of State Aid within the Treasury Department in the Ministry of Finance. That Department has a manager and two officers employed full-time. Since July 2007, another officer has been temporarily employed. The stated capacity is absolutely insufficient for the current scope of work, especially when all the work that is expected after the Law is passed is taken into consideration. The operation of the Department for State Aid is conducted at the seat of the Ministry of Finance since 01.11.2007. It is planned that, when the new Budget System Law is passed, new operations are organized and systematized in the Ministry itself. That cannot be put into practice until the new National Parliament is constituted, in whose jurisdiction it is to pass the aforementioned Law, which is the foundation for the amendment for the current Act on internal organization and systematization of employees in the Ministry of Finance. For the aforementioned reasons, it is not possible to conduct any procedure (internal or public advertisement) for the employment of new officers.

Recent training:

- Participating in seminars in Brussels (altogether 3 of them, in which only one officer once took part, whereas the manager of the Department participated in all of them)

- Participating in domestic seminars (all the employees of the Department except the temporary employee)
- Research trip to Slovenia – visit to the Financial Minister – to the Sector for the Control of State Aid (all the employees of the Department except the temporary employee).

3.8.2.1.3. Short-term priorities (2008-2009)

3.8.2.2.1. Legislation

Due to the aforementioned events in the country, it is not possible to conduct the activities according to the planned deadlines.

Under the new circumstances, it is planned that the Draft Law should be submitted to the government in the third quarter of 2008, and if the government adopts the suggestion in the shortest period possible, to submit the Draft Law to the parliamentary procedure.

If the Law is passed by the end of 2008, due to the all aforementioned limiting circumstances, and especially the capacities for its implementation, it will not be possible to commence its implementation by January 1, 2009, as previously planned. The implementation of the Law can be planned for September 1, 2009 at the earliest. That deadline would conform to the deadline in SAA – one year from the day when that Agreement (and the Interim Agreement) entered force; since the Interim Agreement hasn't entered into force. Until the moment of the implementation of the Law, all the necessary sublegal acts should be passed.

A list of the schemes of state aid granted prior to the foundation of the Commission or those currently being conducted (so-called existing state aid) will be made, as well as a program of their conformity to the Law and sublegal acts, according to Act 73, point 6 of SAA.

Until the beginning of the Law implementation, intensive training of the following personnel will be conducted: employees in the Ministry of Finance who work on the issues of state aid, issuers and users of state aid, with the aim of eliminating potential problems in the implementation of the Law. The aforementioned training will be continued with the same intensity when the Law begins to be implemented.

In the process of Draft Law creation, as well as the creation of sublegal acts, the Department of State Aid uses consultant services of Policy and Legal Advice Centre (PLAC), within the project whose phase 2 of implementation commenced in September 2007, and whose end is envisaged for May 2009.

3.8.2.1.3.1. Institutions

In order to overcome the problems of insufficient capacities, which are impossible to solve in the short run, the Ministry of Finance has already submitted a concrete suggestion for engaging 2 experts via UNDP.

The next move, upon the foundation of legal grounds for the amendment of the current systematization of the Ministry of Finance is the initiative for organizing operation of state aid within a separate sector within the Ministry.

Domestic seminars and workshops are planned with the aim of training issuers and users of state aid to implement the Law, but also of training the Commission to perform activities for which it is authorized.

Middle-term priorities (2010-2012)

Legislation

EU regulations in the sphere of state aid will be closely followed and in case of any changes, amendments and annexes of sublegal acts and the Law itself will be initiated, if seen fit, with the aim of ensuring conformity.

Training of issuers and users of state aid will be continued so as to provide expert assistance in the implementation of the Law.

Regional maps will be created according to EU regulations (NUTS 2), within the deadline for the implementation of SAA of 4 years.

Implementation of the Program of adjusting current state aids with the deadline of 4 years defined in SAA.

Institutions

Further enhancing capacities of the Ministry of Finance in the sphere of state aid.

Table 1.

Name of institution	Whether the institution exists or is planned	Current number of employees	Planned (overall) number of employees (yearly)				
			2008.	2009	2010	2011	2012
Ministry of Finance	Existing	3	4	16	16	16	16

3.9. FINANCIAL SERVICES

3.9.1. Banking

3.9.1.1. STATE OF PLAY

A total of 35 banks in the Republic of Serbia operated in the end of 2007, with 30,246 employees and 2,435 organizational units. The ownership structure of the banks is as follows: 21 banks are majority-owned by foreign shareholders, 6 banks are majority-owned by domestic physical and legal persons and 8 banks are majority ownership of the Republic of Serbia. The balance sheet of the banking sector as at December 31, 2007, the banks majority-owned by foreign persons make 75.5%, the banks majority-owned by the Republic of Serbia make 15.7%, whereas the banks with prevalingly private capital make 8.7%. Five, i.e., six banks with the biggest balance sheet at the end of 2007 participate with 46.3%, i.e., 67.6% respectively, in the total balance sheet of the banking sector.

A. LEGAL FRAMEWORK

The existing regulatory framework for operation of banks was established with the promulgation of the Law on banks (Official Gazette of the Republic of Serbia, No. 107/2005), (hereinafter referred to as: Law), as well as a series of by-laws based on this Law. The main aim of promulgating the new Law was to begin the harmonization of the banking law with the regulations of the European Union and rules of the Basel Committee on Banking Supervision (Basel I).

The subject of this law includes the founding, operating and organization of banks, the manner of bank management as well as supervision of bank solvency and legality of its operations. The law lists the operations that a bank can perform and allows the bank to perform operations whose nature is similar or related to the listed operations, on condition that those operations are in line with the law, Founding Act and Articles of Association of the bank. Furthermore, the law regulates exclusive banking operations, namely: deposit and credit activities and issuance of payment cards. Further, the law sets the manner of cooperation of the National Bank of Serbia with domestic and foreign regulatory authorities, in order to perform its own control function, its promotion and performance of other operations set forth in this law.

This Law regulates the founding of the bank as a joint stock company, which can be founded by domestic and foreign physical and legal persons, and also regulates the contents of the Founding Act and Articles of Association.

The law stipulates the procedure for preliminary approval as a phase in the procedure of acquiring the bank's operating license, since there are two phases of this procedure and the procedure of issuing the bank's operating license after the issuance of preliminary approval.

The monetary part of the founding capital cannot be lower than the dinar equivalent of EUR 10 million at the official median exchange rate on the date of payment.

The founder is obligated to hold the bank's founding assembly, upon receiving the decision on issuance of the operating license by the National Bank of Serbia, within 30 days from the day of receipt of the decision, the composition of the bank's assembly as well as the passing of acts from the jurisdiction of this assembly and obligation to submit those acts to the National Bank of Serbia. Under the law, the National Bank of Serbia gives consent to the articles of association and articles of association of the bank, as well as their changes and amendments. The founders of the bank are obliged

to file the application for entering in the register of economic entities and to submit the decision on registration to the National Bank of Serbia.

Furthermore, the law stipulates that the bank must maintain the level of the capital as well as the business indicators in the prescribed limits. In by-laws the National Bank of Serbia prescribes the forms of capital, manner of their calculation, manner of calculation of capital adequacy and other business indicators.

This law also includes all types of risks the bank is exposed to in its business activities, as well as their identification, measuring, assessment and management of those risks. The exposure of the bank can be: large exposure of a bank to one person or a group of related persons and equals at least 10% of the bank's capital; exposure of a bank to a single person or a group of related persons must not exceed 25% of the bank's capital; exposure of a bank to a person related to the bank must not exceed 5% of the bank's capital; aggregate exposure of the bank to persons related to the bank may not exceed 20% of the bank's capital, and the total of all large exposures of a bank may not exceed 800% of the bank's capital. The operations with persons related to the bank is regulated in detail.

The law further stipulates the obligations of the bank to inform its clients on all relevant data, consider objections by bank clients if the client believes that the bank is not acting in compliance with the obligations from the contract concluded, good business practices and disclosed general operating conditions, the term bank secret, the possibility to access confidential information and obligation of keeping the bank secret.

A bank is obliged to maintain business books and accounting records and submit to the National Bank of Serbia reports related to management of the bank, business operations, liquidity, solvency, and profitability of the bank and its subordinated companies.

The law prescribes the manner of conducting external audit (appointment of external auditor, audit on a consolidated basis, report of external auditor, obligation of informing the external auditor, measures for removing irregularities based on external auditor's report, withdrawal or release from duty of external auditor, submittal and publication of annual financial statements as well as the possibility for the National Bank of Serbia not to accept auditor's report).

The bank, bank holding company and banking group hire external auditor (auditing company) annually in order to perform audits of the financial reports of the bank, bank group and bank holding. Also, the bank is obliged to submit consolidated financial statements of the banking group together with the auditor's report for the previous business year within 150 days after the end of such year.

The law further stipulates the bank's bodies, their composition, competence and the manner of operation. The bank's bodies are the bank's assembly (regular and extraordinary), bank's board of management as a decision-making body of the bank and executive board as a executive body. A bank is obliged to establish other committees, such as the auditing committee, credit committee and committee for managing assets and liabilities. There are organizational units in the bank which do the function of internal audit, audit of harmonization of bank's operations and internal audit.

A bank is obliged to submit to the National Bank of Serbia an annual report on adequacy of risk management and internal audit, together with the annual financial statement.

The Law stipulates the opening of affiliate offices and other organizational units in the country and abroad, the opening of representative offices of foreign banks, the opening of bank's representative offices abroad, as well as keeping records on affiliate offices and representative offices.

Furthermore, the law regulates the share in voting rights and capital in the bank. It is required that the National Bank of Serbia gives consent to the acquisition of the said share in the bank in the amount from 5% to 20%, over 20% to 33%, over 33% to 50% and over 50%.

One acquirer of ownership is defined in detail and there is a “fit and proper” test for the acquirer of ownership.

The reasons for refusing the request for giving consent for participation in voting rights and capital in the bank are listed in the law. The applicant of the request is obliged to inform the National Bank of Serbia in writing on the acquisition for which consent was granted. The National Bank of Serbia may nullify the resolution on granting the consent if it determines that requirements for granting such consent are no longer met. In the case of illegal acquisition, the National Bank of Serbia orders the disposition of ownership in the bank, and prohibits such person from voting rights whereas the bank is obliged to nullify those shares to the damage of its shareholding capital. Persons who received the content at least once a year submit the data on the completion of conditions for getting the consent.

The law also regulates the way of controlling bank solvency and legality of operations of the bank and any member of the bank group in the way stipulated by the law and law regulating the position, organization, competence and functions of the National Bank of Serbia. The law also brings the procedure of supervision and the possibility for the National Bank of Serbia to pass a temporary decision and prohibit the bank from undertaking all actions whose aim is to dispose of its property.

Criteria for corrective measures to banks have been worked out in detail. Corrective measures are the following: written warning, ordering letter, orders and measures for eliminating the established irregularities, receivership administration, the revoke of operating license of the bank. A fine can also be declared regardless of undertaken measures. Measures for the members of board of management and executive board have also been defined.

The supervision of a banking group on a consolidated basis has also been regulated. If the organizational structure of the banking group does not allow the execution of supervision on a consolidated level, the National Bank of Serbia may order the bank group to adjust its structure or to withdraw from such group.

The ultimate parent company of a banking group prepares and submits consolidated financial statements to the National Bank of Serbia. A bank and the ultimate parent company of the banking group is held responsible for submitting consolidated financial statements. The statements of the banking group are drawn up in compliance with the International Financial Reporting Standards.

The National Bank of Serbia prescribes the scope and frequency of submitting these statements. Cooperation with authorities in charge in the country and abroad is regulated with the aim of overall control on a consolidated level and authorization to the National Bank of Serbia to undertake measures to members of the bank group and persons with participation.

The cases of cessation of validity of bank’s operating license are regulated: the revocation of the operating license (reasons for the revocation the license are divided into obligatory and facultative); voluntary cessation of the bank’s activities (upon a decision of the shareholding assembly on the cessation of bank’s operations); status change of the bank (merger of banks or absorption of banks); if the bank’s founding assembly meeting is not held in the prescribed time period and if the bank fails to submit the request for entering in the register of economic entities within the prescribed deadline.

On the day of rendering the resolution on revocation of the bank’s operating license, the National Bank of Serbia blocks all of the bank’s accounts, and by the same resolution it simultaneously declares the measure of prohibition of disposal of the bank’s property until the initiation of bankruptcy proceedings and/or liquidation. Also regulated is the obligation of the bank to submit to the National

Bank of Serbia a request for getting the consent for taking over rights and liabilities in bankruptcy and/or liquidation.

The by-laws passed by the National Bank of Serbia prescribe in more detail legal solutions in the field of classification of balance sheet assets and off balance sheet items, adequacy of capital, risk management (inducing the closer definition of risk of harmonization of bank's operation), giving preliminary approval for founding banks and consent in the procedures of acquisition, bank supervision by the National Bank of Serbia, external audit of bank and bank group on a consolidated level. Also, in order to remove the risk which can come as a result of non-harmonization of bank's operations with the regulations on money laundering and prevention of financing terrorism, the banks are obliged to adopt the procedure 'Meet Your Client'.

The following decisions were made on the basis of the Law on banks:

1. (Official Gazette of the Republic of Serbia, No. 57/2006, 116/2006 and 56/2007)
2. [Decision on classification of balance sheet assets and off balance sheet items](#) (Official Gazette of the Republic of Serbia, No. 57/2006 and 116/2006)
3. [Decision on risk management](#) (Official Gazette of the Republic of Serbia, No. 57/2006 and 86/2007)
4. [Decision on external audit of banks](#) (Official Gazette of the Republic of Serbia, No. 41/2007)
5. [Decision on the manner and terms of identification and monitoring risk of harmonization of bank's operations and risk management](#) (Official Gazette of the Republic of Serbia, No. 86/2007, /correction 89/2007/)
6. [Decision on minimum content of procedure Meet Your Client](#) (Official Gazette of the Republic of Serbia, No. 57/2006)
7. [Decision on unique method of calculating and publishing effective interest rate on deposits and loans](#) (Official Gazette of the Republic of Serbia, No. 57/2006)
8. [Decision on implementation of provisions of the Law on banks referring to giving preliminary approval for founding banks and license for bank's operations, as well as individual provisions referring to giving consent by the National Bank of Serbia](#) (Official Gazette of the Republic of Serbia, No. 51/2006 and 129/2007)
9. [Decision on closer terms and manner of execution of supervision by the National Bank of Serbia over banks](#) (Official Gazette of the Republic of Serbia, No. 51/2006)
10. [Decision on implementation of provisions of the Law on banks referring to the audit of bank group on a consolidated basis](#) (Official Gazette of the Republic of Serbia, No. 86/2007)
11. [Decision on closer terms for giving consent to banks for execution of representation in insurance](#) (Official Gazette of the Republic of Serbia, No. 57/2006)
13. [Decision on closer terms and manner of giving consent for founding and acquiring subordinate bank company](#) (Official Gazette of the Republic of Serbia, No. 60/2007)
14. Decision on closer terms and the manner of bank's actions upon client's objection (Official Gazette of the Republic of Serbia, No. 114/2006)

The decisions which enter into force on July 1, 2008:

1. [Decision on classification of balance sheet assets and off balance sheet items](#) (Official Gazette of the Republic of Serbia, No. 129/2007)

2. [Decision on management of bank risks](#) (Official Gazette of the Republic of Serbia, No. 129/2007)
3. [Decision on management of bank liquidity risk](#) (Official Gazette of the Republic of Serbia, No. 129/2007)
4. [Decision on adequacy of bank capital](#) (Official Gazette of the Republic of Serbia, No. 129/2007)

Other relevant laws

Apart from the Law on banks, relevant laws for the banking sector are:

- Law on the National Bank of Serbia (Official Gazette of the Republic of Serbia, No. [72/2003](#) and [55/2004](#))
- Company Law (Official Gazette of the Republic of Serbia, No. 125/2004),
- Law on general administrative procedure (Official Herald of the Federal Republic of Yugoslavia, No. [33/97](#) and [31/2001](#))
- Law on payment transactions (Official Herald of the Federal Republic of Yugoslavia, No. [3/2002](#), [5/2003](#) and Official Gazette of the Republic of Serbia, No. [43/2004](#) and [62/2006](#))
- Law on foreign currency operations (Official Gazette of the Republic of Serbia, No. 62/2006)
- Law on market of securities and other financial instruments (Official Gazette of the Republic of Serbia No. 47/2006)
- Law on bankruptcy and liquidation of banks and insurance companies (Official Gazette of the Republic of Serbia, No. 61/2005)
- Law on deposit insurance (Official Gazette of the Republic of Serbia, No. 61/2005)
- Law on deposit insurance agency (Official Gazette of the Republic of Serbia, No. 61/2005)
- Law on the prevention of money laundering (Official Gazette of the Republic of Serbia, No. [107/2005](#) and [117/2005](#))
- Law on foreign trade operations (Official Gazette of the Republic of Serbia, No. 101/2005),
- Law on accounting and auditing (Official Gazette of the Republic of Serbia, No. 46/2006)
- Law on administrative disputes (Official Herald of the Federal Republic of Yugoslavia, No. 46/96)

The Law on banks and by-laws based on this law have been partially harmonized with the following legal acts of the European Union: 77/780/EEC, 83/349/EEC, 87/62/EEC, 89/299/EEC, 89/647/EEC, 91/308/EEC, 86/635/EEC, 93/6/EEC, 92/121/EEC, 92/30/EEC, 95/26/ES, 98/33/EC, 2000/12/ES, 1606/2002/EC and 2086/2004/EC 2004/69/EC, 2006/48/EC, 2006/49/EC, 2006/43/EC, 1983/349/EC, 1978/660/EC, 1968/151/EC, 2005/60/ES, 2003/51/EC.

ADOPTED REGULATIONS PERTAINING FROM THE LAW ON BANKS:

The Decision on management of bank risks (Official Gazette of the Republic of Serbia, No. 129/2007), Decision on adequacy of bank capital (Official Gazette of the Republic of Serbia, No. 129/2007), Decision on implementation of provisions of the Law on banks which refer to the control of the bank group on a consolidated basis (Official Gazette of the Republic of Serbia, No. 129/2007) and

Decision on management of bank liquidity risk (Official Gazette of the Republic of Serbia, No. 129/2007) partially harmonized with Directives: 87/62/EEC, 2006/48/EC, 2006/49/EC, 98/33/EC, 2004/69/EC, 86/635/EEC, 83/349/EEC.

The (new) Decision on classification of balance sheet assets and off balance sheet items of banks is partly harmonized with Directives 2006/48/EC, 1606/2002/EC and 2086/2004/EC. The Decision on external audit of banks is partially Harmonized with Directives 2006/43/EC, 1983/349/EC, 1978/660/EC, 1968/151/EC, 1986/635/EC. The Decision on minimum content of the procedure “Meet Your Client” is partially harmonized with Directives 91/308/EES and 2005/60/ES. The Decision on unique method of calculating and publishing effective interest rate on deposits and loans (Official Gazette of the Republic of Serbia, No. 57/2006) is partially harmonized with Directive 87/102/EEC and (90/88/EEC, 98/7/EC - amending 87/102/EEC).

The Decision on external audit of banks is partially harmonized with the following Directives: 2006/43/EC, 2003/51/EC, 86/635/EEC, 83/349/EEC and 78/660/EEC, and the Decision on closer terms and manner of bank supervision by the National Bank of Serbia is harmonized with Directives 2000/12/ES and 2006/48/ES.

B. INSTITUTIONAL FRAMEWORK

The National Bank of Serbia is an institution in charge of implementing the Law on banks and the passing of by-laws based on the Law on banks. The Law on the National Bank of Serbia (Official Gazette of the Republic of Serbia, No. 72/2003, 55/2004 and 85/2005) regulates the position, organization, competence, and relations of the National Bank of Serbia to other government bodies of the Republic of Serbia, international organizations, and other institutions. The independence of the National Bank of Serbia in its functions is guaranteed in the Constitution of the Republic of Serbia, and the Law on the National Bank of Serbia regulates that the National Bank of Serbia is independent in its work.

The main goal of the National Bank of Serbia is to achieve and maintain price stability and maintenance financial stability. The National Bank of Serbia, inter alia, gives operating licenses to banks, insurance companies, pension funds and leasing companies but also supervises their operations.

Pursuant Article 8 of the Law on banks, the National Bank of Serbia cooperates with foreign and domestic regulatory authorities, with a view to performing and improving its supervisory function.

In the supervisory procedure, the National Bank of Serbia cooperates with the state authorities in the Republic of Serbia as well as state bodies of other countries in charge of supervision. The manner of cooperation is established in an agreement between the National Bank of Serbia and a particular supervisory authority. The National Bank of Serbia is in the process of signing a Memorandum of Understanding with supervisory authorities of Belgium, Russia, France, Macedonia, Austria, and Germany, whereas the Memorandums with the Cyprus Central Bank, Bank of Greece, Central Bank of Montenegro, Bank of Slovenia, Central Bank of Bosnia and Herzegovina, Bank of Italy, Hungarian Supervisory Body, have already been signed. The National Bank of Serbia is also signatory of two multilateral agreements between bodies in charge of supervision in Southeast Europe.

3.9.1.2. SHORT-TERM PRIORITIES

Short-term priorities are based on further strengthening of legal framework of supervision of banking operations with a view of adequate risk management in the financial sector. The execution of this goal requires continual monitoring of banks’ operations as well as the development of cross-border

cooperation on the basis of supervision by means of signing memorandums of cooperation with authorities in other countries. Also, one of the priorities of the National Bank of Serbia in the forthcoming period is to build institutional capacities and staff expertise.

In line with the strategy of introducing Basel II standards, the National Bank of Serbia plans to change the existing by-laws, i.e., to pass new decisions on bank risk management, bank liquidity risk management, publication, market risks, operational risk, great exposures, techniques for relieving credit risk, standardized approach, external credit rating agencies, IBR access, securitization and consolidated supervision.

3.9.1.3. FINANCIAL LEASING

3.9.1.3.1. STATE OF PLAY

A total of 17 grantors of financial leasing, i.e. 17 companies which got the license from the National Bank of Serbia to do financial leasing operations, were operating in the Republic of Serbia until the first quarter of 2008.

The founders of financial leasing grantors in the Republic of Serbia are mostly banks, members of bank groups and other financial institutions, whereas other legal and physical persons are present as founders in much smaller numbers.

A. LEGAL FRAMEWORK

The institute of financial leasing was introduced in the Serbian legal system with the Law on financial leasing in 2003 (Official Gazette of the Republic of Serbia, No. 55/2003). The subject of the Law is defined by prescribing what the law regulates: financial leasing operation, rights and obligations of subjects in the financial leasing operation and financial leasing registry.

Changes and amendments to the Law on financial leasing from July 2005 (Official Gazette of the Republic of Serbia, No. 61/2005), the National Bank of Serbia is set as the institution giving licenses for financial leasing transaction and supervising the transactions of financial leasing grantors.

According to the provisions of the existing Law, the transaction of financial leasing is defined in a formal way by prescribing that the operation of financial leasing includes the contract on delivery between the leasing supplier and leasing grantor, and the contract of leasing between the leasing grantor and recipient of leasing (the rights and obligations pertaining from those contracts are prescribed in more detail in those contracts). Under this provision, the recipient of the leasing chooses the leasing supplier.

The changes of the law did not encompass the regulated duration of contract of financial leasing, so the minimum deadline for the contract of leasing remained two years.

The Law on changes and amendments to the Law on financial leasing explicitly introduces a ban for leasing grantors to do any other activities apart from financial leasing.

Apart from the competencies of the National Bank of Serbia regulated in detail in the area of licensing leasing grantors, supervision of their operations and ordering corrective measures to leasing grantors who disrespect the provisions of this law and other relevant regulations, these changes and amendments

stipulate penal provisions in the sense of economic offences and violations which are established toward leasing grantors and other companies.

Other relevant regulations

The by-laws enacted by the National Bank of Serbia on the basis of authorizations from the Law regulate in greater detail the most important legal solutions in the area of issuing licenses and giving approvals by the National Bank of Serbia, obligations of leasing grantors to hold reserve funds, supervision function of the National Bank of Serbia, obligations of financial reporting of leasing grantor, obligatory content of the contract on financial leasing and the manner of presenting the leasing compensation and other expenses from the contract on financial leasing.

Based on the Law on changes and amendments to the Law on financial leasing, the National Bank of Serbia passed the following by-laws:

- 1) [Decision on implementation of provisions of the Law on financial leasing referring to issuance of consent by the National Bank of Serbia](#) (Official Gazette of the Republic of Serbia, No. 81/2005 and 60/2007).
- 2) [Decision on obligation of leasing grantor to keep reserve funds](#) (Official Gazette of the Republic of Serbia, No. 109/2005 and 30/2006).
- 3) [Decision on closer terms and manner of execution of supervision of execution of leasing grantor operations](#) (Official Gazette of the Republic of Serbia, No. 117/2005).
- 4) [Decision on data which leasing grantor submits to the National Bank of Serbia and the manner and deadlines for submitting those data](#) (Official Gazette of the Republic of Serbia, No. 4/2006).
- 5) [Decision on minimum conditions for conclusion of contract on financial leasing and the manner of presenting expenses of leasing compensation and other expenses incurred upon conclusion of those contracts](#) (Official Gazette of the Republic of Serbia, No. 4/2006 and 64/2006).
- 6) [Directive for applying the decision on minimum conditions for conclusion of contract on financial leasing and the manner of presenting expenses of leasing compensation and other expenses incurred upon conclusion of those contracts](#) („Official Gazette of the Republic of Serbia, No. 4/2006).

Apart from the Law on financial leasing, its changes and amendments and by-laws by the National Bank of Serbia, other relevant regulations for the field of financial leasing are also the following:

- Company Law (Official Gazette of the Republic of Serbia, No. 125/2004),
- Law on contract and torts (Official Herald of the Socialist Federal Republic of Yugoslavia, No. 29/78, 39/85, 57/89 and Official Herald of the Federal Republic of Yugoslavia, No. 31/93),
- Law on general administrative procedure (Official Herald of the Federal Republic of Yugoslavia, No. [33/97](#) and [31/2001](#)),
- Law on the National Bank of Serbia (Official Gazette of the Republic of Serbia, No. [72/2003](#) and [55/2004](#)),
- Law on payment transactions (Official Herald of the Federal Republic of Yugoslavia, No. [3/2002](#), [5/2003](#) and Official Gazette of the Republic of Serbia, No. [43/2004](#) and [62/2006](#)),
- Law on accounting and audit (Official Gazette of the Republic of Serbia, No. 46/2006), by-laws and international standards recommended by the Law,
- Law on foreign currency operations (Official Gazette of the Republic of Serbia, No. 62/2006) ,

- Law on foreign trade operations (Official Gazette of the Republic of Serbia, No. 101/2005).

The Law on financial leasing and appropriate by-laws are partially harmonized with Directive 2000/12/EC of 20 March 2000, which is one of the crucial legal acts of the European Union regulating operations and supervision of credit institutions as well as of financial institutions which, under Annex I of the Directive, include financial leasing companies.

Latter changes and amendments to the listed directives are also of relevance, namely: Directive 2000/28/ES from September 2000, Directive 2002/87/ES from December 2002, Directive 2004/39/ES and 2004/69/ES from April 2004, Directive 2005/1/ES from March 2005. and Directive 2006/29/ES from March 2006.

Since there is a small number of laws of the European Union regulating financial leasing operations more closely, criteria set by the International Accounting Standards, IAS in particular, are applied in practice, especially from the accounting aspect.

B. INSTITUTIONAL FRAMEWORK

The National Bank of Serbia is the institution authorized to grant licenses for financial leasing operations as well as other approvals set forth by laws, as well as supervision of executed operations of financial leasing grantor.

The Business Registers Agency keeps registry of financial leasing in which data from concluded contracts on financial leasing are recorded.

3.9.1.3.2. SHORT-TERM PRIORITIES

The execution of short-term priorities will be contained in the Law on leasing which should provide a high level of harmonization of regulations regulating leasing with legal acts of the European Union in this area. Short-term priorities are based on expanding leasing operations on immovable. Leasing will be defined as financial leasing operation and operational leasing.

The new law will regulate financial leasing in a consistent way and the criteria determining this operation will be closer to the criteria in the International Accounting Standards.

3.9.2. Insurance

3.9.2.1. STATE OF PLAY

A. LEGAL FRAMEWORK

The legal framework for insurance activity in the Republic of Serbia is regulated by the Law on insurance (Official Gazette of the Republic of Serbia, No. 55/2004, 70/2004, 61/2005 and 101/2007), Law on insurance of property and persons (Official Herald of the Federal Republic of Yugoslavia, No. 30/96, 57/98, 53/99 and 55/99) – in the part of compulsory insurance and entrusting public authorizations, the Law on bankruptcy and liquidation of banks and insurance companies (Official Gazette of the Republic of Serbia, No. 61/2005) and the Law on Deposit Insurance Agency (Official Gazette of the Republic of Serbia, No. 61/2005).

Also, the Company Law applies for subjects in insurance and contracts on insurance (Official Gazette of the Republic of Serbia, No. 125/2004), as well as the Law on private entrepreneurs (Official Gazette of the Socialist Republic of Serbia, No. 54/89 and 9/90 and Official Gazette of the Republic of Serbia, No. 19/91, 46/91, 39/93, 53/93, 67/93, 48/94, 53/95 and 35/2002) and the Law on contract and torts

(Official Herald of the Socialist Federal Republic of Yugoslavia, No. 29/78, 39/85, 57/89 and Official Herald of the Federal Republic of Yugoslavia, No. 31/93).

The Law on insurance (Official Gazette of the Republic of Serbia, No. 55/2004, 70/2004, 61/2005 and 101/2007) (hereinafter referred to as: Law) regulates terms and manner of executing insurance operations and supervision of those operations, in line with standards and principles of the International Association of Insurance Supervisors (IAIS) and Directives of the European Union in the field of insurance services.

The law introduces important novelties in prescribing the terms which make sure that insurance companies may have stable businesses, and give the possibility to duly settle obligations towards the insured. With that aim, supervision has been increased and handed over to the National Bank of Serbia as an independent state organ which also supervises other areas in the financial sector. In doing so, the National Bank of Serbia prescribes measures to remove illegalities and irregularities it noticed in the work of the subject being supervised.

Insurance activities in the Republic of Serbia may be performed by insurance companies with headquarters on the territory of the Republic of Serbia and branches of foreign insurance companies (once the five-year deadline from the day the Republic of Serbia was granted access in the World Trade Organization expires), which were granted operational license by the National Bank of Serbia. Insurance companies may be set up by domestic and foreign legal and physical persons under equal terms. Amendments to the law from 2007 call off the reciprocity as the condition for setting up insurance company for insuring foreign persons, though the provision has been implemented since the day of accession to World Trade Organization.

By rule, property and persons may be insured by persons founded on the territory of the Republic of Serbia, except for property and persons whose insurance is not carried out by a domestic insurance company, as well as other property and persons for which the government of the Republic of Serbia prescribes it.

Insurance company may perform one or several types of insurance within the same insurance group (life or non-life insurance) or only the reinsurance affairs. Separation of existing composite insurance companies will be carried out before December 31, 2009.

Amendments to the law from 2007 envisage that reinsurance may be carried out directly abroad, with the implementation after the expiry of the five-year period since accession in the World Trade Organization.

The law regulates qualified participation in capital assets, relations between related persons, terms and the criteria for evaluating the founder's credit solvency and for evaluating the 'fit and proper' standards for members of insurance company organs. Furthermore, the law prescribes conditions for carrying out mediation and representation affairs in insurance, as well as for providing other services in insurance.

With its solutions on insurance companies, the law ensures a higher level of protection for property and persons from various risks through insurance coverage and the increase in the protection level of the rights of the insured, insurance users and third persons who suffered damage. The law also determines the rules of risk management, whose violation implies that the National Bank of Serbia should take certain measures as a consequence. Furthermore, the law prescribes authorisations and obligations of the authorized actuary, the manner and form of reporting, the work of internal auditing, as well as auditing the insurance company's financial statements.

The Law also regulates certain issues related to the procedure of privatization of socially and state capital in insurance companies. That procedure is launched by the Ministry of Finance and implemented by the Deposit Insurance Agency.

The National Bank of Serbia passes regulations in order to implement the Law and by-laws. The National Bank of Serbia passed 20 insurance-related by-laws and 6 directives, whereas the government of the Republic of Serbia passed two decrees regulating this area.

The most important by-laws passed by the National Bank of Serbia are:

1. Rule Book on charts of accounts and contents of account in the chart of accounts for insurance companies (Official Gazette of the Republic of Serbia, No. 15/2007),
2. Decision on the system of internal controls and risk management in the operations of the insurance companies (Official Gazette of the Republic of Serbia, No. 12/2007),
3. Decision on implementation of provisions of the Law on insurance relating to the issuance of licenses and approval by the National Bank of Serbia (Official Gazette of the Republic of Serbia, No. 42/2005),
4. Decision on closer criteria and manner of calculation of unearned premiums (Official Gazette of the Republic of Serbia, No. 19/2005),
5. Decision on closer criteria and manner of calculation of reserved damages (Official Gazette of the Republic of Serbia, No. 86/2007),
6. Decision on the submittal of statistical and other data of insurance companies to the National Bank of Serbia (Official Gazette of the Republic of Serbia, No. 27/2005),
7. Decision on the manner of establishing the solvency margin limit (Official Gazette of the Republic of Serbia, No. 31/2005),
8. Decision on limitations of certain forms of depositing and investing funds of technical reserves and highest amounts of certain deposits and investments of guarantee reserve of insurance company (Official Gazette of the Republic of Serbia, No. 35/2008),
9. Decision on the content and manner of keeping registry on insurance companies and other registries (Official Gazette of the Republic of Serbia, No. 67/2006),
10. Decision on the contents and manner of taking license examination for executing mediation operations, representation in insurance and way of evidencing the fulltime of terms for getting the authorization for performing those operations (Official Gazette of the Republic of Serbia, No. 80/2006).

The decisions listed under numbers 2, 6, and 7 are partially aligned with the Directives of the Council and the European Parliament and the Council: 73/239, 2002/83, 2005/68; Decisions under numbers 4 and 5 are partially aligned with the Directives of the Council and the European Parliament and of the Council: 73/239, 91/647, 2002/83, 2005/68; Decisions listed under numbers 9 and 10 are partially aligned with the Directive of the European Parliament and the Council 2002/92 and Decisions listed under numbers 3 and 8 are partially harmonized with the Directives of the Council and the European Parliament and the Council: 73/239, 92/49, 2002/83, 2005/68. The Rule Book under number 1 is partially harmonized with Directive of the Council 91/647.

The law is partially harmonized with *acquis communautaire*.

Efforts to harmonize the local legislation with *acquis communautaire* is achieved to a considerable extent. The degree of harmonization is directly related to the degree of the development of domestic insurance market and capital market and objective opportunity of domestic insurance companies to operate in new conditions. The non-harmonization partly remained in terms of issues which are subject of other laws and which apply for the insurance sector.

The Law has been harmonized with the laws of the European Union contained in the following regulations of the European Union:

1. Articles 50 and 51 of the Agreement on Founding the European Community,
2. Directive of the Council 73/239,
3. Directive of the Council 91/647,
4. Directive of the Council 92/49,
5. Directive of the European Parliament and the Council 2001/17,
6. Directive of the European Parliament and the Council 2002/83,
7. Directive of the European Parliament and the Council 2002/92,
8. Directive of the European Parliament and the Council 2005/68.

The Law on insurance of property and persons (Official Herald of the Federal Republic of Yugoslavia, No. 30/96, 57/98, 53/99 and 55/99) in the part which remained to be in force – compulsory insurance and entrusting public jurisdictions, regulates the compulsory insurance of travellers in public transportation, insurance of owners and users of motor and towed vehicles, owners of aircraft, from responsibility for damage incurred to third persons. The Guarantee Fund, the system of establishing premium rates, as well as the goals of tariffs and statistical basis for premium rates. In the part which refers to the entrusting of public jurisdictions to the association of insurers of the Republic of Serbia, public jurisdictions were transferred and supervision of executing those jurisdictions was regulated.

This law is partially harmonized with the Directives of the European Union in the area of insurance from self-responsibility and the Directive of the Council 72/166, Directive of the Council 72/430, Directive of the Council 84/5 and Directive of the Council 90/232.

The Law on bankruptcy and liquidation of banks and insurance companies (Official Gazette of the Republic of Serbia, No. 61/2005) regulates conditions and bankruptcy procedure and liquidation of banks, insurance companies and other financial organizations. Under the Law on the Deposit Insurance Agency (Official Gazette of the Republic of Serbia, No. 61/2005), the Deposit Insurance Agency executes the function of bankruptcy or liquidation manager in insurance companies, organizes and carries out the privatization procedure for socially-owned and state capital in insurance companies.

These two laws are partially harmonized with the Directive of the European Parliament and of the Council 2001/17.

B. INSTITUTIONAL FRAMEWORK

Under the Law on the National Bank of Serbia, Article 4, paragraph 1, item 6a) of the Law on the National Bank of Serbia (Official Gazette of the Republic of Serbia, No. 72/2003 and 55/2004) and Article 142 of the Law, the National Bank of Serbia supervises insurance operations, issues license for insurance, reinsurance, intermediation in insurance and representation in insurance and operations immediately related to insurance operations, gives license to acts and actions stipulated by the Law, passes acts stipulated by the Law, processes statistical and other data, keeps registry and considers objections by the insured, users of insurance and third damaged persons to the work of insurance companies. Also, the National Bank of Serbia passes regulations for implementation of the Law.

The Insurance Supervision Department operates as part of the National Bank of Serbia and comprises 4 organizational units - departments, in charge of direct and indirect control, actuarial affairs and

statistics and legal issues related to insurance. Currently, the Sector employs 35 persons with university degree.

The National Bank of Serbia is financed, as a rule, from its own revenues, which includes the compensation for supervising the operations of insurance companies paid by insurance companies.

On the insurance market in the Republic of Serbia, at the end of I quarter of 2008, there are 21 insurance companies operating, 18 of which do only insurance, 2 are in charge only of reinsurance, whereas 1 company does both insurance and reinsurance. There are 4 companies that exclusively do life insurance, 9 companies do exclusively non-life insurance, whereas 6 companies do both life and non-life insurance. By ownership structure of capital, 14 out of 21 insurance companies on the market are majority foreign, whereas 7 are majority domestic ownership.

Under Article 6 of the Law on ministries (Official Gazette of the Republic of Serbia No. 43/2007), the Ministry of Finance is in charge of public administration activities which refer to insurance of property and persons.

Previous training

With a view of strengthening and promoting actuarial standards and regulations of the insurance profession, the National Bank of Serbia, in line with the Strategic insurance supervision development plan for the period 2006-2009, in cooperation with Bearing Point/USAID, organized a Programme for promotion of actuarial profession in the period 2006-2009. The programme was conceived in line with regulations from this area. The training comprises 5 levels. As of 2009, the transfer of training of actuaries to faculties is planned.

Also, Bearing Point/USAID organizes permanent training of employees in the Sector in order to introduce and implement in practice the risk-based supervision.

3.9.2.2. SHORT-TERM PRIORITIES (2008-2009)

Under the Decision of the Council on principles, priorities and condition of the European Partnership with the Republic of Serbia from February 18, 2008, a short-term priority in the field of insurance is the speeding up of restructuring and privatization of the insurance sector. This priority is the competence of the Ministry of Finance, i.e., the Deposit Insurance Agency. To reach this goal, the privatization procedure of the joint stock company for reinsurance DDOR Novi Sad, Novi Sad, by the Italian insurance company Fondiaria SAI s.p.a, was completed in January 2008. The company Dunav Osiguranje a.d.o, Beograd, with the majority socially-owned capital, is in the process of restructuring.

A. LEGAL FRAMEWORK

During 2008, with a view of further harmonization of regulations in the field of insurance with Directives of the European Union in this field and in line with Article 91 of the Stabilisation and Association Agreement (SAA), the bill on changes and amendments to the Law on insurance will be prepared and established by the National Bank of Serbia in the IV quarter of 2008. The bill will additionally harmonize the field of life and non-life insurance with the Directives of the European Union, reinsurance and additional supervision of the group of insurance companies (Directive of the Council 73/239, Directive of the Council 92/49, Directive of the European Parliament and of the Council 98/78, Directive of the European Parliament and of the Council 2002/83, Directive of the European Parliament and of the Council 2005/68).

In this period, the National Bank of Serbia plans to pass by-laws in the field of additional supervision of insurance companies as well as to change and amend the Decision on implementation of provisions of the Law referring to the issuance of licenses and consent by the National Bank of Serbia.

With a view of regulating compulsory insurance in transport, in line with *acquis communautaire* in this field, as well as harmonization with national regulations, the bill on compulsory insurance in transport was prepared. The deadline for adopting the bill in the National Assembly is IV quarter of 2008. The bill regulates the types of compulsory insurance in transport and the founding of information center for self-responsibility insurance at the insurers' association. Also, the regulation regulates more efficient protection and exercise of rights of damaged persons, because of which the institute of "small damages" is introduced. In this case, the compensation is provided in a simplified procedure. The regulation regulates that the insurance company with which the damaged person has concluded insurance contract can execute the compensation of the damage, but the company has the right of refund by the person responsible for the damage. After the expiry of transitional period envisioned by the law, the regulation envisages liberalization of premium system in compulsory insurance and free formation and application of terms and tariffs of insurance, except in the case when terms and tariffs of insurance are not in accordance with regulations, rules of actuary profession and insurance profession. Also, the bill envisions the founding of a new Guarantee Fund as an independent legal person, sets tasks, funds and bodies of that fund and entrusts public authorizations to the Serbian Insurers Association. The bill also introduces the institute of authorized representative for solving damages and establishes the rights and liabilities of that person. These provisions become effective upon accession in the European Union.

The bill is partially aligned with the Directives of the European Union in the area of insurance from self-responsibility, namely with:

1. Directive of the Council 72/166,
2. Directive of the Council 72/430,
3. Directive of the Council 84/5,
4. Directive of the Council 90/232,
5. Directive of the European Parliament and of the Council 2000/26,
6. Directive of the European Parliament and of the Council 2005/14.

Professional assistance is necessary both when assessing final legal proposals as well as when assessing the by-laws.

Responsible institution: Ministry of Finance and National Bank of Serbia.

B. INSTITUTIONAL FRAMEWORK

Capacities of the Sector for Supervision of insurance operations will be increased with the employment of new employees (3 employees in 2009) and further professional training of employees with a view of creating a modern supervision system, protection of the insured persons and transparency of work, i.e., creating a financially reliable and stable insurance market.

3.9.2.3. MIDDLETERM PRIORITIES (period 2010-2011)

A. LEGAL FRAMEWORK

The process of harmonizing insurance-related companies with *acquis communautaire* needs to be finished within this term, from chapter no 09.10 Insurance and especially from the following areas: direct insurance and intermediation in insurance, supervision of a group of insurance companies, financial reports of insurance company, intermediation in insurance, reorganization and liquidation of insurance companies and financial conglomerate, i.e., with other regulations which will be in force in the European Union at that point.

The finalization of the harmonization process for insurance from self-responsibility is now being planned, especially with IV and V Directives of the European Union (Directive of the European Parliament and of the Council 2000/26 and Directive of the European Parliament and the Council 2005/14).

B. INSTITUTIONAL FRAMEWORK

Further capacity building of the Sector for Supervision of insurance operations.

3.9.2.4. FINANCIAL NEEDS

3.9.2.4.1. BUDGET

Part of the funds for founding and the launch of work of the Guarantee Fund is provided in the budget of the Republic of Serbia.

3.9.2.4.2. FOREIGN ASSISTANCE

There is a need for foreign technical assistance to the Sector in order to reinforce the supervision role of the National Bank of Serbia in insurance operations. This particularly refers to solvency issues, the reservation policy in life and non-life insurance, informing, supervision of insurance companies and measures that are pronounced, supervision of a group of insurance companies, solvency of a group of insurance companies, audit of financial reports, issuance of licenses and approval to other complex issues of *acquis communautaire* in the field of insurance, all with a view of stability of the insurance market.

3.9.3. Capital market

- STATE OF PLAY

The Belgrade Stock Exchange is the main capital market in Serbia in which the trading is held in the stock exchange (listing A) and over-the-counter market. A total of 92 authorized participants and 74 brokerage dealer companies were registered on the market of the Republic of Serbia as well as 20 licensed banks which own the license for brokerage and dealing operations.

A. LEGAL FRAMEWORK

Legal activity in 2006 from the perspective of financial market development in Serbia is important because of the adoption of three systemic laws regulating this field fully. The normative framework regulating the capital market is regulated in the Law on securities and other financial instruments

(Official Gazette of the Republic of Serbia, No. 47/2006), the Law on the takeover of shareholding companies (Official Gazette of the Republic of Serbia, No. 46/2006) and the Law on investment funds (Official Gazette of the Republic of Serbia, No. 46/2006).

The new Law on securities and other financial instruments introduces the institutes of market operator and over-the-counter market, which is harmonized with the Directive on markets in financial instruments (DIRECTIVE 2004/39/EC of the European Parliament and of the Council of 21 April 2004m on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC), in the part where it sets basic criteria for the manner of organization and structuring in the regulated market, i.e. market operator. The expanded circle of persons can be founders (shareholders) of regulated market for all domestic and foreign legal and physical persons, on condition that each acquisition of qualified participation must be approved by the Securities Commission which carries out the 'fit and proper' analysis of the potential acquirer. The procedure for acquiring qualified participation (participation of capital in the amount of at least 5%) has also been regulated, and the 'fit and proper' analysis is envisioned for brokerage and dealer companies as well. The prospectus for issuing securities is fully regulated in line with the Directive on the prospectus (EU Directive 2003/71 of the European Parliament and of the Council of Europe on the prospectus to be published for public offer of securities – Prospectus Directive), by precisely defining the content of the prospectus, as well as responsibility of the issuer and other persons who participated in the creation of the prospectus. Informing public companies was made more transparent and stricter in terms of deadlines, the obligation of informing the acquirer on the crossing of regulated thresholds (5%, 10%, 25%, 33%, 50%, 60%, 75%, and 95%) when acquiring shares with the voting right, with the aim of tracking the change of ownership structure. The term of inside information is partially harmonized with the Directive on prevention of market manipulation (DIRECTIVE 2003/6/EC of the European Parliament and of the Council of 28 January 2003 **on insider dealing and market manipulation (market abuse)**), which points to the fact that unauthorized use of inside information is basis for abuse and manipulation on the financial market.

When drafting the Law on market of securities and other financial instruments, the lawmaker followed the basic principles and standards of EU directives and partially harmonized the regulation with the provisions of the following directives:

- **32004L0039 Directive on markets in financial instruments (DIRECTIVE 2004/39/EC** of the European Parliament and of the Council of 21 April 2004 **on markets in financial instruments** amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and the Council and repealing Council Directive 93/22/EEC),
- 32004L0109 Directive on transparency (DIRECTIVE 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC),
- 32003L0006 Directive on prevention of market manipulation (DIRECTIVE 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse),
- **32003L0071 Directive on prospectus (DIRECTIVE 2003/71/EC** of the European Parliament and of the Council of 4 November 2003 **on the prospectus to be published when securities are offered to the public or admitted to trading** and amending Directive 2001/34/EC).

During 2006 and 2007, based on the Law on securities and other financial instruments, the Securities Commission passed the following by-laws:

1. Rule Book on contents and form of prospectus and other documents submitted in order to issue securities (Official Gazette of the Republic of Serbia, No. 106/06, 116/06);
2. Rule Book on the form and contents of proxy statement (Official Gazette of the Republic of Serbia, No. 106/06);
3. Rule Book on acquiring the title and getting the license for a broker, investment advisor and manager portfolio (Official Gazette of the Republic of Serbia, No. 106/06, 116/06);
4. Rule Book on the content and manner of submittal of reports of the Central Securities Registry (Official Gazette of the Republic of Serbia, No. 106/06, 116/06);
5. Rule Book on terms and the manner of execution of supervision in operations of participants on the financial market (Official Gazette of the Republic of Serbia, No. 106/06, 116/06);
6. Rule Book on terms for execution of custody bank operations (Official Gazette of the Republic of Serbia, No. 106/06, 116/06);
7. Rule Book on terms for execution of brokerage and dealer operations (Official Gazette of the Republic of Serbia, No. 106/06, 116/06);
8. Rule Book on terms for execution of operations of market operator (Official Gazette of the Republic of Serbia, No. 106/06, 116/06);
9. Rule Book on the content and manner of reporting of public companies and reporting on ownership of shares with the voting right (Official Gazette of the Republic of Serbia, No. 106/06, 116/06);
10. Rule Book on the sale of securities related to inside information (Official Gazette of the Republic of Serbia, No. 106/06, 116/06);
11. Rule Book on publication of information of trade with debtor securities outside the regulated market (Official Gazette of the Republic of Serbia, No. 106/06, 116/06);
12. Rule Book on the content and form of request for establishing the status of professional investor (Official Gazette of the Republic of Serbia, No. 28/07);

The Law on investment funds was passed in 2006. The adoption of this law has made possible the founding of institutions of collective investment as part of which monetary funds are invested in various types of property with a view of executing revenues and reducing investment risks. Investment fund can be founded as open, closed or private, and it is managed by a special legal person - management company, on the basis of operating license issued by the Securities Commission. The Law regulates the activity of custody banks and competences of the Securities Commission in executing supervision of funds and management companies.

The Law on investment funds is harmonized to a great degree with the following directives:

- **31985L0611 Council Directive 85/611/EEC** of 20 December on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS 1),
- **31988L0220 Council Directive 88/220/EEC** of 22 March 1988 amending, as regards the investment policies of certain UCITS , Council Directive 85/611/EEC of 20 December on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, (UCITS 1),
- **32001L0107 Directive 2001/107/EC of the European Parliament and of the Council** of 21 January 2002 amending Council's Directive 85/611/EEC on the coordination of laws, regulations

and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS 1), with the view to regulating management companies and simplified prospectuses,

- **32001L0108 Directive 2001/108/EC of the European Parliament and of the Council of 21 January 2002 amending Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS 1), with regard to investments of UCITS.**
- **32004L0039 Directive on markets in financial instruments (DIRECTIVE 2004/39/EC of the European Parliament and of the Council of 21 April 2004m on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC),**

During 2006 and 2007, the Securities Commission passed the following by-laws on the basis of the Law on investment funds:

1. Rule Book on content and form of financial reports of investment fund management company (Official Gazette of the Republic of Serbia, No. 30/07);
2. Rule Book on content and form of financial reports for investment funds (Official Gazette of the Republic of Serbia, No. 30/07);
3. Rule Book on chart of accounts and account content in the chart of accounts for investment fund management (Official Gazette of the Republic of Serbia, No. 30/07);
4. Rule Book on content of external auditor's report (Official Gazette of the Republic of Serbia, No. 30/07);
5. Rule Book on chart of accounts and account content in the chart of accounts for investment funds (Official Gazette of the Republic of Serbia, No. 30/07);
6. Rule Book on investment funds (Official Gazette of the Republic of Serbia, No. 30/07);
7. Rule Book on terms for operations of investment fund insurance company (Official Gazette of the Republic of Serbia, No. 110/06).

A total of 13 management companies and 9 investment funds, all of which are open investment funds, were founded until March 2008 and are operational.

B. INSTITUTIONAL FRAMEWORK

The legal competence for capital market in the Republic of Serbia belongs to the Ministry of Finance, which created a Law on the market of securities and other financial instruments, the Law on the takeover of shareholding companies and the Law on investment funds, whereas by-laws are the competence of the Securities Commission.

The Group for Securities and Capital Market as part of the Ministry of Finance, Sector for Financial System, (which employs 3 employees) is responsible for preparing the laws in this field and their interpretation, giving approval to by-laws in terms of their harmonization with the Law and Constitution, passed by the Securities Commission, but without the authorization to take concrete measures toward participants on the capital market.

The Securities Commission is an independent body established in 1990. The Commission comprises 5 members and Commission president, who are appointed and released from duty by the National Assembly of the Republic of Serbia. The Securities Commission is responsible for legal functioning of

the securities market with a view of protecting investors and providing fairness, efficiency and transparency of that market. In that sense, the Commission is in charge of supervising the implementation of:

- Law on the market of securities and other financial instruments (Official Gazette of the Republic of Serbia, No. 47/2006),
- Law on the takeover of shareholding companies (Official Gazette of the Republic of Serbia, No. 46/2006)
- Law on investment funds (Official Gazette of the Republic of Serbia, No. 46/2006).

The Commission is responsible to the National Assembly of the Republic of Serbia for its competences.

Based of the listed laws, the Commission is in charge of: passing acts with a view of implementing laws, approving the issuance of securities with and without public offer, approving the status of professional investor, approving the takeover offer, giving operating licenses to the market operator, brokerage and dealer companies and custody banks, investment fund management companies, organizing and founding open and closed investment fund; giving consent to changes t other act on appointment of members of management of licensed participants, market operator, management companies; monitoring the trends and movements on the regulated market and undertaking measures for removing the disturbances on that market; supervising the operations of brokerage and dealer companies, market operator, Central Securities Register, management company, investment funds, licensed banks, custody banks, issuers of securities, investors, professional investors.

Once a year, the Commission submits to the National Bank of Serbia a report on its work as well as a report on trends on the regulated market in the Republic, whereas it informs the government on its work every three months.

The Securities Commission of the Republic of Serbia was granted full membership in International Organization of Securities Commissions (IOSCO) in 2002. On a bilateral level, the Commission signed two protocols on cooperation (with Russia and Republika Srpska) and several memorandums with the Federation of Bosnia and Herzegovina, Greece, Croatia, Romania, Montenegro.

The Securities Commission employs a total of 42 persons, 30 of whom are with university degree, 5 have a post-secondary school diploma, 4 are with secondary school education and 3 workers, who are technical staff, are low-qualified workers.

3.9.3.2. SHORT-TERM PRIORITIES (activities planned for 2008-2009)

A. LEGAL FRAMEWORK

The Ministry of Finance should draft a new law on market of securities and other financial instruments which will be implemented as part of the Directives of the European Union from this area, namely:

- 32001L0071 Directive on **the admission of securities to official stock exchange listing and on information to be published on those securities (DIRECTIVE 2001/34/EC of the European Parliament and of the Council of 28 May 2001 on the admission of securities to official stock exchange listing and on information to be published on those securities)**

- 32004L0039 Directive on market in financial instruments (DIRECTIVE 2004/39/EC on markets in financial instruments) and **32006L0073 Commission DIRECTIVE 2006/73/EC of 10 August 2006 implementing Directive 2004/39/EC** of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive)
- 32003L0006 Directive on prevention of market manipulation (DIRECTIVE 2003/6/EC on insider dealing and market manipulation (market abuse))
- **32003L0124 Directive on public disclosure of inside information and the definition of market manipulation** (Commission **DIRECTIVE 2003/124/EC** of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council **as regards the definition and public disclosure of inside information and the definition of market manipulation**)
- 32004L0072 Directive on accepted market practice (Commission **DIRECTIVE 2004/72/EC** implementing Directive 2003/6/EC of the European Parliament and of the Council as regards accepted market practices, the definition of inside information in relation to derivatives on commodities, the drawing up of lists of insiders, the notification of managers transactions and the notification of suspicious transactions)

In this period, the Ministry of Finance plans to further harmonize the Law on investment funds with the Directives of the European Union from this area, namely with:

- **32001L0107 Directive 2001/107/EC of the European Parliament and of the Council of 21 January 2002 amending Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS 1), with the view to regulating management companies and simplified prospectuses,**
- **32001L0108 Directive 2001/108/EC of the European Parliament and of the Council of 21 January 2002 amending Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS 1), with regard to investments of UCITS.**
- **32007L0016 Commission Directive 2007/16/EC of 19 March 2007 implementing Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards the clarification of certain definitions**
- **32004L0039 Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004m on markets in financial instruments** amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC,

B. INSTITUTIONAL NEEDS

Capacities of the Ministry of Finance and the Securities Commission will be according to the following dynamics:

Needs of state institutions for employment

Name of institution	Whether institution existing planned	the is or Present number of employees	Planned total number of employees by years	
			2008	2009
			Ministry of Finance	Existing
Securities Commission	Existing	40	5	5
Total		43	6	6

3.9.3.3. MIDDLETERM PRIORITIES (activities planned for 2010-2012)

A. LEGAL FRAMEWORK

The text of the Law on securities and other financial instruments will be fully harmonized with the regulations of the European Union.

B. INSTITUTIONAL FRAMEWORK

The capacities of the Ministry of Finance will strengthen with the admission of new employees, further professional training of staff and procurement of equipment, with a view of making conditions to keep pace with market trends, proposing measures for further capital market promotion and preparing potential changes to the Law and by-laws, in line with the trends in the Serbian market.

The capacities of the Securities Commission will be strengthened with the admission of new employees, further professional training of staff and procurement of equipment, with a view of introducing supervision of implementation of the Law, keeping pace with market trends, and preparing potential changes of by-laws, in line with the trends in the Serbian market.

3.9.4. Voluntary pension funds

3.9.4.1. STATE OF PLAY

Reform of the pension system started in 2005 with the adoption of the **Law on voluntary pension funds and pension plans** (Official Gazette of the Republic of Serbia, No. 85/2005), which introduced the system of voluntary pension insurance funds, so the pension system of the Republic of Serbia includes the First and Third pillar of pension insurance. The First Pillar is the state Pension and Disability Insurance Fund, which is responsible for all employees and which functions under the “pay-as-you-go” system. The Third Pillar are voluntary private pension funds which function under the system of accumulation and capitalization of funds and defined benefits, where the amount of pension is not guaranteed but depends on the amount of income. Voluntary pension fund is a set of property

without the characteristic of legal person. The property is managed by the fund management company, which is organized as a closed joint stock company whose property is separated from the fund's property.

In the period from September 2006 to June 2007, seven voluntary pension insurance management companies were founded. One voluntary pension fund insurance company is majority-owned by the state, whereas six pension fund insurance companies are privately-owned (three of which are directly majority-owned by foreign companies). The total number of contracts in the voluntary pension insurance fund system at the end of 2007 amounted to around 160,000, whereas net assets of voluntary pension insurance funds as at December 31, 2007 amounted to somewhat over than RSD 3 billion.

A. LEGAL FRAMEWORK

The area of pension funds is regulated in the Law on voluntary pension funds and pension plans which was passed in 2005 (Official Gazette of the Republic of Serbia, No. 85/2005). **The Law on voluntary pension funds and pension plans** regulates the founding and operations of voluntary pension insurance management companies, organizing and managing with the fund, membership in pension funds, compensations, reporting, assessment of fund's property, manner of supervision of voluntary pension insurance management companies as well as other issues related to the system of voluntary pension funds. The Law came into force as of April 1, 2006.

During 2006, 2007, and 2008 the National Bank of Serbia passed the following by-laws on the basis of the Law on voluntary pension funds and pension plans:

1. Decision on the manner and terms of merging voluntary pension funds (Official Gazette of the Republic of Serbia, No. 26/2006);
2. Decision on the types of financial institutions which can be intermediaries of the voluntary pension insurance fund management company and terms for issuing to the physical persons the license for providing information on that fund (Official Gazette of the Republic of Serbia, No. 26/2006);
3. Decision on frequency, manner and standardized form of reporting of custody bank and manner of harmonizing differences between calculated values, i.e., income of voluntary pension fund (Official Gazette of the Republic of Serbia, No. 26/2006);
4. Decision on the structure and manner of calculating the capital of voluntary pension insurance management fund (Official Gazette of the Republic of Serbia, No. 26/2006);
5. Decision on the manner of calculation of compensation of voluntary pension insurance fund management company (Official Gazette of the Republic of Serbia, No. 26/2006 and 24/2007);
6. Decision on the manner of calculating income of the voluntary pension insurance fund (Official Gazette of the Republic of Serbia, No. 26/2006);
7. Rule Book on content and form of financial report of voluntary pension insurance funds (Official Gazette of the Republic of Serbia, No. 15/2007);
8. Rule Book on content and form of financial report of voluntary pension insurance fund (Official Gazette of the Republic of Serbia, No. 15/2007);

9. Decision on content of the report on performed audit of financial reports of voluntary pension insurance fund company and voluntary insurance fund (Official Gazette of the Republic of Serbia, No. 27/2006)
10. Rule Book on chart of accounts and account content for voluntary pension fund management companies (Official Gazette of the Republic of Serbia, No. 15/2007);
11. Rule Book on chart of accounts and account content in the chart of accounts for voluntary pension funds (Official Gazette of the Republic of Serbia, No. 15/2007);
12. [Decision on closer content and standardized form of prospectus of voluntary pension fund](#) (Official Gazette of the Republic of Serbia, No. 23/2006);
13. [Decision on closer content and standardized form of membership contract for the voluntary pension fund](#) (Official Gazette of the Republic of Serbia, No. 23/2006);
14. [Decision on the opening, keeping and transferring individual accounts of members of voluntary insurance fund](#) (Official Gazette of the Republic of Serbia, No. 24/2008);
15. Decision on minimum terms of organizational and technical ability of the company for management of voluntary pension fund (Official Gazette of the Republic of Serbia, No. 23/20086);
16. [Decision on advertising of voluntary pension funds and standardized text of advertisement](#) (Official Gazette of the Republic of Serbia, No. 23/2006);
17. Decision on maximum amounts, terms and manner of investment of property of voluntary pension fund and terms and manner of investment of that property abroad (Official Gazette of the Republic of Serbia, No. 63/2007 and 67/2007);
18. [Decision on standardized form of contract on programmed payments of accumulated funds of member of the voluntary pension fund](#) (Official Gazette of the Republic of Serbia, No. 27/2006);
19. Decision on assessment and calculation of market and net value of property of the voluntary pension insurance fund and establishing unique initial value of investment unit (Official Gazette of the Republic of Serbia, No. 27/2006 and 24/2007)
20. [Decision on regulations of risk control in operations of the voluntary pension insurance company and voluntary pension fund](#) (Official Gazette of the Republic of Serbia, No. 27/2006);
21. [Decision on manner of supervision of voluntary pension fund management company](#) (Official Gazette of the Republic of Serbia, No. 27/2006);
22. [Decision on methodology of harmonizing the operations of insurance companies with the Law on voluntary pension funds and pension plans](#) (Official Gazette of the Republic of Serbia, No. 27/2006);

In 2006, based on the Law on voluntary pension fund and pension plans, the Ministry of Labor and Employment passed the following by-laws:

1. Rule Book on closer terms for execution of rights of voluntary pension fund member to the disposition with and drawing accumulated funds before the age of 53 years (Official Gazette of the Republic of Serbia, No. 30/2006);
2. Rule Book on terms and procedure of the organizing and functioning of pension plans (Official Gazette of the Republic of Serbia, No. 30/2006).

Other relevant laws

- Law on the National Bank of Serbia (Official Gazette of the Republic of Serbia, No. 72/2003 and 55/2004);
- Company Law (Official Gazette of the Republic of Serbia, No. 125/2004);
- Law on general administrative procedure (Official Herald of the Federal Republic of Yugoslavia, No. 33/97 and 31/2001);
 1. Law on market of securities and other financial instruments (Official Gazette of the Republic of Serbia, No. 47/2006);
- Law on prevention of money laundering (Official Gazette of the Republic of Serbia, No. 107/2005 and 117/2005);
- Law on accounting and auditing (Official Gazette of the Republic of Serbia, No. 46/2006);
- Law on administrative disputes (Official Herald of the Federal Republic of Yugoslavia, No. 46/96), and
- Law on bankruptcy procedure (Official Gazette of the Republic of Serbia, No. 84/2004 and 85/2005).

B. INSTITUTIONAL FRAMEWORK

Legal competence in the field of voluntary pension insurance funds belongs to the Ministry of Finance, which in coordination with the Ministry of Labor created a draft law on voluntary pension funds and pension plans, whereas the regulation of by-laws in this field is the competence of the National Bank of Serbia.

The Group for Securities and Capital Market as part of the Ministry of Finance, Sector for Financial System, (which employs 3 employees) is responsible for preparing the laws in this field and their interpretation, but without the authorization to take concrete measures. The conditions and the procedure of organizing and functioning of pension plans are the competence of the Ministry of Labor and Social Policy.

Supervision of management companies is the competence of the National Bank of Serbia (Sector for Supervision of Voluntary Pension Insurance Management Companies, which employs 15 employees). As part of its supervisory function, the National Bank of Serbia issues and revokes operating licenses to management companies and licenses for organization and management of the fund, issues and revokes consent to the proposed members of the company's management, issues written warnings and orders, approves regulations of company's operations, prospectus and other marketing material, keeps registry of voluntary pension insurance funds, receives daily reports of custody banks on the value of fund's assets and value of investment unit, receives monthly, semi-annual and annual reports of the management companies, etc.

3.9.4.2. SHORT-TERM PRIORITIES (activities planned for 2008-2009)

Also planned is the passing of the Decision on terms for choosing the most favorable offer of the company for pension fund management or merger of the voluntary pension fund as well as the passing

			2009	2010	2011	2012
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of changes and amendments to by-laws of the National Bank of Serbia based on the Law on voluntary pension funds and pension plans.

3.9.4.3. MIDDLETERM PRIORITIES (activities planned for 2010-2012)

Further development in the area of voluntary pension fund and pension plans has the aim of achieving full harmonization with the regulations of the European Union, particularly with:

- **32003L0041 DIRECTIVE 2003/41/ECC** of the European Parliament and of the Council of 3 June 2003 on the activities and supervision of institution for occupational retirement provision.

Subgroup for FINANCIAL SERVICES

In accordance with short-term priorities, the capacities of the Ministry of Finance and Securities Commission will be reinforced at the following pace:

Recruitment needs in state institutions

Name of Institution	Existing/planned institution	Current number of employees	Planned (total) number of employees (per year)				
			2008	2009	2010	2011	2012
Ministry of Finance – Financial System Department							
Group for Securities and Capital Market	Existing	3	1	1			
Group for Banking System, Insurance and Payment Operations	Existing	0	2	2			
Group for Foreign Exchange System and Policy	Existing	1	1	1			
Securities Commission							
	Existing	40	5	5			
Total		44	9	9			

The National Bank of Serbia		Existing					
Bank Supervision Department	Bank Supervision Department	Existing	3	5	6	7	7

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	Department for Supervision of Financial Leasing						
Insurance	Insurance Supervision Department	Existing	7	13	19	24	24
Voluntary Pension Funds	Pension Funds Supervision Department	Existing	2	2	3	4	4
International Relations Department		Existing	1	1	1	1	1
Legal Department		Existing	2	2	2	3	3
TOTAL			15	23	31	39	39

3.10 INFORMATION SOCIETY AND THE MEDIA

3.10.1 Telecommunications and information technology

3.10.1.1. Existing situation

3.10.1.1.1. Legislative framework

In October 2006, the Government of the Republic of Serbia adopted the *Strategy for the Development of Telecommunications in the Republic of Serbia* (*Official Gazette RS* no. 99/06), comprising legal, institutional, economic and technical aspects of telecommunications sector development and providing a basis for accelerated development of the telecommunication services market and of telecommunication and information infrastructure.

The field of telecommunications is regulated by the Law on Telecommunications (*Official Gazette RS* no. 44/03 and 36/06), which is based on the European Union (EU) regulatory framework from 1998. The principles upon which the regulation of relations in the field of telecommunications rests include, *inter alia*, stimulation of competition, cost-effectiveness and efficiency in performing activities in the field of telecommunications, protection of the users' interests, ensuring maximum telecommunication service quality, rational and cost-effective utilisation of the radio frequency spectrum, provision of interconnection under equal terms and compliance with international norms and standards.

With a view to regulating the telecommunications market, the Republic Telecommunications Agency (hereinafter: the Agency) has adopted over 20 bylaws (in conformity with the tasks of national regulatory bodies set out in the Framework Directive 2002/21/EC) regulating, *inter alia*, the following matters more specifically:

- Efficient utilization and management of the radio frequency spectrum and numerical resources;
- Procedure for performing technical inspections;
- Procedure for checking the compliance of telecommunication networks, systems and assets with the prescribed standards and norms;
- Issuing General Authorizations for the provision of public telecommunication services (Internet, cable distribution systems);
- Types of public telecommunication services and public telecommunication networks for which relevant licences are issued (Individual Licence and General Authorization);
- Interconnection between public telecommunication networks.

With a view to efficient utilisation and management of the radio frequency spectrum, at the proposal of the Republic Telecommunications Agency and in conformity with the Radio Frequency Bands Allocation Plan (*Official Gazette RS* no. 112/04), the Ministry of Telecommunications and Information Society has adopted plans of assigning radio frequencies for fixed wireless access systems, GSM/DCS 1800, UMTS/IMT-2000 and terrestrial analogue FM and TV broadcasting stations.

In 2007, the Agency was admitted as a member of the European Telecommunications Standards Institute (ETSI), which enables direct implementation of ETSI standards.

3.10.1.1.2. Institutional framework

The Law on Telecommunications lays down the division of competences between the Government, Ministry of Telecommunications and Information Society and the Republic Telecommunications Agency, thus ensuring the separation of political, operational and regulatory functions.

The Government of the Republic of Serbia, upon proposal by the Ministry of Telecommunications and Information Society, sets policy in the field of telecommunications and adopts the Telecommunications Development Strategy and the Radio Frequency Bands Allocation Plan.

The Ministry of Telecommunications and Information Society is, *inter alia*, authorised to: prepare the proposed policy in the field of telecommunications and draft telecommunication development strategy in the Republic of Serbia; undertake measures towards stimulation of research and development in the field of telecommunications and information technologies; set the Draft Radio Frequency Bands Allocation Plan and adopt the Radio Frequency Assignment Plan at the proposal of the Republic Telecommunications Agency; decide, pursuant to the Radio Frequency Bands Allocation Plan, on the numbers of licences issued for public telecommunication networks, terms of duration of these licences and services for which, under the Law on Telecommunications, a limited number of licences may be issued, as well as set minimum requirements for issuing these licences, including the minimum amount of the one-off fee charged upon issuing licences; set the list of universal services that should be provided by public fixed telecommunication network operators, at the proposal of the Republic Telecommunications Agency; undertake measures for the prevention of cross-ownership or other forms of combinations of telecommunication operators in order to prevent the occurrence of monopolies and ensure unhindered competition; supervise the application of the Law on Telecommunications and regulations adopted pursuant to the Law.

The Republic Telecommunications Agency was established by the Law on Telecommunications as an autonomous and independent regulatory body, for the purpose of ensuring conditions for efficient implementation and promotion of the set policy in the field of telecommunications. The Agency's role is to regulate the telecommunications market of the Republic of Serbia in conformity with the principles of objectivity, non-discriminatory access and transparency. The aim is to ensure liberalization of the telecommunications market and create conditions for efficient competition. According to the Law on Telecommunications, the Agency is competent, *inter alia*, to regulate more specifically and supervise the conduct of activities in the field of telecommunications, stimulate interconnection between telecommunication networks, set requirements and resolve disputes relating to interconnection, set special requirements for network access and/or leased lines, regulate more specifically the terms of use of the radio frequency spectrum and prepare the Draft Radio Frequency Bands Allocation Plan and Draft Radio Frequency Assignment Plan; supervise the radio frequency spectrum utilisation, assign radio frequencies, issue licences for specific telecommunication activities to telecommunication operators; prepare and conduct the public bidding procedure for issuing specific licences, sets the special tariff regime and monitors the implementation of tariff policy in the conditions of underdeveloped competition; manage the universal service cost recovery fund, established pursuant to the Law; prepare, adopt and manage the Numeration Plan and assign numbers to telecommunication operators, attend to other affairs falling within its sphere of competence as stipulated by the said Law.

3.10.1.2. Short-term priorities

3.10.1.2.1. Legislation

Preparing a regulatory framework that will enable alignment with the *acquis communautaire* with a view to achieving the principal objectives of telecommunications sector development, namely creating the conditions to increase the range and quality of telecommunication services, adequate and efficient operation of telecommunication systems, development of competition and implementation of market principles in the telecommunication market.

Short-term priorities comprise:

- Adopting the bylaws governing telecommunication services and VoIP;
- Drafting bylaws with a view to defining the initial range of services that constitute universal service, public telecommunication network operator obliged to provide universal service and establishing a universal service fund, as well as a mechanism for universal service cost recovery;
- Drafting bylaws pertaining to improving the tariff policy, in order to set cost-reflective tariffs and rebalance the tariffs;
- Ongoing review of radio frequency spectrum utilisation;
- Review of the existing numeration plan, especially in view of features such as operator selection and pre-selection and number portability.

3.10.1.2.2. Institutions

It is necessary to ensure institutional capacity building in the Ministry of Telecommunications and Information Society and the Agency through training staff and providing the required technical prerequisites for work.

3.10.1.3. Medium-term priorities

3.10.1.3.1. Legislation

As part of the EU accession process, it is necessary to harmonise the national legislation governing the field of telecommunication with the new EU regulatory framework (*acquis communautaire*).

In view of the fact that EU membership is the strategic choice of the Republic of Serbia, producing a Draft Law on Electronic Communications is planned.

3.10.1.3.2. Institutions

Strengthening the institutional capacity of the ministry competent for the affairs of telecommunications and information society and of the regulatory body competent for electronic communications will be continued. Relevant bodies for the protection of interests of end users will be established, as appropriate.

3.10.1.4. Required funding

3.10.2. Information society

3.10.2.1. Existing situation

3.10.2.1.1 Legislative framework

The field of information society in the Republic of Serbia is regulated by the **National Strategy for an Information Society in Serbia** (*Official Gazette RS* no. 87/2006), adopted by the Government of the Republic of Serbia. The Strategy is accompanied by the Action Plan – Strategic Priorities and Initiatives for Information System Development.

Objectives and priorities of the national policy in specific strategic areas are defined in accordance with information society development processes in Europe and in conformity with recommendations and principal elements of the e-Europe concept, contained in EU documents, and also in conformity with commitments of the Republic of Serbia with respect to building information society in the South-Eastern Europe region.

The eSEE Agenda+ for information society development in SEE from 2007 to 2010, signed by the Republic of Serbia in Sarajevo in October 2007, lays down the priority objectives such as: development of the legal framework, implementation of development projects for electronic services for citizens and businesses, development of Internet contents, setting up an e-government portal, introduction of the electronic identity, e-commerce development, implementation of standards with a view to ensuring interoperability, development of e-learning, development of broadband networks and services, development of digital television with a view to bridging the digital divide in relation to developed countries.

The Law on Electronic Signature (*Official Gazette RS* no. 135/04) dated 21st December 2004. In conformity with the European Directive on electronic signatures and EU recommendations, the Law regulates the use of digital signature in legal transactions and other legal affairs, as well as the rights, obligations and responsibilities with regards to electronic certificates.

Bylaws for the implementation of the Law on Electronic Signature:

- Rules on Specific Conditions for Issuing Qualified Electronic Certificates (*Official Gazette RS* no. 26/2008);
- Rules on the Technical and Technological Procedures for the Creation of a Qualified Electronic Signature and the Criteria to be Met by Devices for the Creation of a Qualified Electronic Signature (*Official Gazette RS* no. 26/2008);
- Rules on the Registry of Certification Bodies Issuing Qualified Electronic Certificates in the Republic of Serbia (*Official Gazette RS* no. 26/2008);
- Rules on Keeping Records of Certification Bodies (*Official Gazette RS* no. 48/05, 82/05 and 116/05).

The above Rules are aligned with the latest EU standards, recommendations and procedures in the field.

Applicable regulations in the field also include:

- Law on the Information System of the Republic of Serbia (*Official Gazette RS* no. 12/96);
- Regulation on Security and Protection of Information Systems of Public Administration Bodies (*Official Gazette of the Socialist Republic of Serbia* no. 41/90);
- Instructions for Preparing and Adopting Information System Designs of Public Administration Bodies (*Official Gazette of the Socialist Republic of Serbia* no. 49/89).

These regulations are not aligned with the EU legislation and the relevant standards and recommendations in the field of information society.

The Law on Computer Crime has not been passed, but the area is sanctioned by the Penal Code (*Official Gazette RS* no. 85/05; 88/05; 107/05).

3.10.2.1.2. Institutional framework

The field of information society falls within the sphere of competence of the Ministry of Telecommunications and Information Society, National Information Technology and Internet Agency and the Administration for Common Affairs of Republic Bodies.

Pursuant to Art. 13 of the Law on Ministries (*Official Gazette RS* no. 48/07), the Ministry of Telecommunications and Information Society, namely the **Department for Information Society**, conducts public administration affairs in the field of information society development pertaining to: setting the policy and strategy for information society development; drafting laws, other regulations, standards and measures in the field of electronic commerce; Internet and information technology application; rendering information services; academic computer network development and upgrading; coordination in drafting strategic development documents at the level of the Republic of Serbia; information infrastructure development and operation, as well as other affairs stipulated by law. The Department for Information Society currently employs nine (9) staff and eighteen (18) positions that are envisaged in the job classification but are vacant. The Department was established in June 2007.

National Information Technology and Internet Agency, as a special organisation, pursuant to Art. 35 of the Law on Ministries (*Official Gazette RS* no. 48/07), conducts technical and public administration affairs pertaining to: promotion, development and operation of the information system of public bodies, local self-government and public services; Internet use in the work of public bodies, local self-government and public services; data protection; development and implementation of standards in information technology introduction in public bodies. The Agency's work is supervised by the Ministry of Telecommunications and Information Society. The Agency employs a total of ten (10) people, of which eight (8) are professionals performing tasks within the Agency's purview, and two (2) are engaged in support tasks, whereas the job classification envisages twelve (12) positions.

Pursuant to the Decision on the Administration for Common Affairs of Republic Bodies (*Official Gazette RS* no. 67/91,79/02,13/04), the **Administration for Common Affairs of Republic Bodies** is competent, *inter alia*, for the automatic data processing affairs, comprising: preparing and implementation of projects for automation of administrative and other operational tasks performed in the Administration and Republic bodies, designing and organisation of documentation and other databases as needed for the work of Republic bodies, other information affairs relating to ensuring information system operation and development. Information affairs in the Administration are conducted in the Department for Information, Internet and Telecommunications. The Department employs a total of fifty-six (56) staff.

In addition to the three abovementioned bodies, competent for the development of common components of the information society, other public administration bodies and organisations are competent for the development and implementation of information systems (subsystems) for the affairs within their respective purviews (information systems of the Ministry of the Interior, Tax Administration, Customs Administration, Geodesy Information System etc.). In view of this, a considerable number of public administration bodies have designated organisational units for these affairs (departments, divisions, sections, units).

3.10.2.1. Short-term priorities (2008-2009)

3.10.2.1 Legislation

With the aim of development of the legal framework for further development of information society, the following documents and regulations will be adopted:

- Action Plan for the Implementation of the eSEE Agenda+ for Information Society Development in SEE in the period 2007-2012;

- Action Plan for e-Government, for the period 2008-2012;
- Action Plan for e-Availability, for the period 2008-2012;
- Law on Personal Data Protection. The Government adopted the Bill in 2007 and submitted it to the National Assembly. Its provisions are aligned with the relevant EU directives and recommendations. Responsible institution: Ministry of Justice;
- Law on e-Commerce. Draft Law has been prepared and submitted to competent Republic bodies for review and opinion. Its provisions are fully aligned with the relevant EU directives. Responsible institution: Ministry of Trade and Services;
- Protection of personal data processing and privacy in public electronic communications, in conformity with the Directives 2002/58/EC and 2006/24/EC, will be regulated either by the Law on Electronic Communications or by a separate law. Responsible institution: Ministry of Telecommunications and Information Society;
- Law on Central Registry of Population. Responsible institution: Ministry of the Interior;
- Law on the Electronic Document. Responsible institution: Ministry of Telecommunications and Information Society;

3.10.2.2.2. Institutions

Capacities of the Department for Information Society will be strengthened by filling the vacant positions and staff training, focusing especially on tasks related to development of the legal framework for information society, which is now given insufficient attention.

The Ministry's role should also be strengthened by extending its sphere of competence to include the affairs currently falling within the competence of National Information Technology and Internet Agency. This view is at the same time one of the Government's strategic choices in information society development and is expressed in the National Strategy of the Republic of Serbia for Serbia and Montenegro's EU Accession as follows: "ensuring all material and organisational conditions for efficient functioning of a *single* institution vested with all necessary authorizations for managing the efforts for information society establishment".

Other institutions

Strengthening the capacity and role of the Department for Information, Internet and Telecommunications in the Administration for Common Affairs of Republic Bodies, in order that it could successfully fulfil its function of supporting Republic bodies in providing ICT infrastructure.

Strengthening the IT capacities of the General Secretariat of the Government and of the IT departments in ministries and other public institutions, in the sense that each should have its own IT department to fulfil tasks falling within its respective purview.

Establishment of IT departments at the local self-government level. It is necessary that each municipality in the Republic of Serbia adopt an information society development programme, and also to establish an IT department the management of which would fall within the scope of work of the municipal president or mayor

3.10.2.3. Medium-term priorities (2010-2011)

3.10.2.3.1. Legislation

The following laws are to be passed by the end of 2011:

- Law on Data Confidentiality;
- Law on Information Security and the associated bylaws;

- Ratification of the Council of Europe Convention on Cybercrime.

Special emphasis will be placed on amendments to the Law on the General Administrative Procedure and regulations governing the manner and procedure of office administration affairs and documentation management, which are under the responsibility of the Ministry of Public Administration and Local Self-Government.

3.10.2.3.2. Institutions

Further staff, organisational and technical capacity strengthening of the Department for Information Society within the Ministry of Telecommunication and Information Society will continue, as well as strengthening of the Department for Information, Internet and Telecommunications in the Administration for Common Affairs of Republic Bodies, in order that it may become a modern computer centre of public administration bodies. Institutional repositioning of such computer centre will also be considered.

3.10.3. Audiovisual policy

3.10.3.1. Existing situation

3.10.3.1.1. Legislative framework

The foundations for reform in the field of broadcasting were laid by the **Broadcasting Development Strategy until 2013** (*Official Gazette RS* no. 115/2005), which envisages a transformation of the Public Enterprise “Serbian Broadcasting Corporation” into public broadcasting service institutions, determining the number and types of broadcasters, privatisation of the electronic media founded by local self-governments, introduction of digital broadcasting and establishment of a single broadcasting system.

In the Republic of Serbia, the field of media is regulated by the following laws:

- Law on Public Information (*Official Gazette RS* no. 43/2003 and 61/2005);
- Law on Broadcasting (*Official Gazette RS* no. 42/02, 97/04, 76/05, 79/05, 62/06, 85/06 and 91/06);
- Law on Free Access to Information of Public Importance (*Official Gazette RS* no. 120/04 and 54/07);
- Law on the Public Enterprise “Tanjug News Agency” (*Official Gazette FRY* no. 11/95);
- Law on the Import and Distribution of Foreign Mass Communication Media and on Foreign Information Activity in Yugoslavia – provisions of Art. 25-58 are in force (*Official Gazette SFRY* no. 39/74 and 74/87) and (*Official Gazette FRY* no. 24/94 and 28/96);
- Law on the Establishment of the Public Newspaper and Publishing Enterprise “Panorama” (*Official Gazette RS* no. 80/92);
- Regulation on the Federal Public Institution “Radio Yugoslavia” (*Official Gazette FRY* no. 3/02 and 29/02);
- Regulation on the Federal Public Institution “Film Journal” (*Official Gazette FRY* no. 3/02);
- Regulation on the Federal Public Institution “Yugoslav Survey” (*Official Gazette FRY* no. 3/02).

The Law on Public Information (*Official Gazette RS* no. 43/2003 and 61/2005) was adopted on 22nd April 2003. This is a structural law governing the right to public information as the right to freedom of opinion and expression, as well as the rights and duties of actors in the public information process.

The Law on Public Information guarantees the right to free establishment and unhindered work of the media, with guaranteed participation under equal terms for domestic or foreign legal or natural persons in the information process. The Law discontinued the practice of state ownership of media, which was the case previously.

The Law on Public Information is aligned with the following international documents:

- European Convention for the Protection of Human Rights and Fundamental Freedoms
- International Covenant on Civil and Political Rights
- Council of Europe Declaration on Freedom of Expression and Information
- Resolution (74)26 on the right of reply – position of the individual in relation to the press
- Recommendation R (97)20 on “hate speech”
- Recommendation R (97)21 on the media and the promotion of a culture of tolerance
- Recommendation R (2000)7 on the right of journalists not to disclose their sources of information

The Law on Broadcasting (*Official Gazette RS* no. 42/02, 97/04, 76/05, 79/05, 62/06, 85/06 and 91/06) regulates the general principles of broadcasting in the Republic of Serbia, establishes an independent regulatory body – the Republic Broadcasting Agency (RBA), prescribes the now system for issuing licences, defines the general programme standards, envisages the transformation of the Serbian Broadcasting Corporation into public service organizations and regulates other matters of import for the field of broadcasting.

The Law regulates relations in the field of broadcasting in accordance with the principles of independence of broadcast media, prohibition of all forms of censorship and/or influencing the work of broadcast media, full affirmation of civil rights and liberties, especially the freedom of expression and pluralism of opinions, implementation of internationally recognised norms and principles pertaining to the field of broadcasting, especially respect for human rights in the field, prohibition of discrimination, transparent procedure for issuing broadcasting licences and stimulation of development of broadcasting and creative work in the field of radio and television in the Republic of Serbia.

Pursuant to Council of Europe Recommendation R (96) 10 on the guarantee of the independence of public service broadcasting, the Law on Broadcasting prescribes two public broadcasting services – the Serbian Broadcasting Service and the Vojvodina Broadcasting Service, their editorial and institutional autonomy with respect to programming policy, organization of the services’ activities, staff selection, recruitment and management within the public broadcasting service and financial management. For the purpose of financing the activities of public broadcasting services related to pursuing the public interest, the Law prescribes radio and television subscription fee. The Law also envisages the existence of commercial radio and television stations that may have national, regional or local level frequencies, as well as civil sector radio and television stations that may only have local level frequencies. The Law also stipulates that broadcasting licenses are awarded to broadcasters through a public competition.

With reference to Art. 10 of the European Convention for the Protection of Human Rights and Fundamental Freedoms, Directive 89/552/EEC (as amended by Directive 97/36/EC), Council of Europe Recommendation R (97) 21 on media and promotion of culture of tolerance, Council of Europe Recommendation R (97)20 on “hate speech”, as well as Council of Europe Recommendation R (97) 19 on depiction of violence in electronic media, the Law on Broadcasting lays down certain duties of broadcasters as regards programme contents, such as: not to broadcast programmes provoking and inciting national, racial or religious hatred or intolerance, not to broadcast programmes with

pornographic contents, those that promote or support violence, drug abuse or other forms of criminal behaviour, or programmes that take advantage of the viewers or listeners' credulity.

The Law on Free Access to Information of Public Importance (*Official Gazette RS* no. 120/04 and 54/07) regulates the right of all to seek and obtain relevant information of public importance from a holder of public power, or entity vested with public authority, in order to ensure effective insight into the work and actions of those entities to which citizens entrusted the power to execute government functions on their behalf, in free and democratic elections and, in connection with this, to attend to other public affairs. The Law provides for the Commissioner for Information of Public Importance as an independent public body autonomous in exercising its competence. The Law is harmonised with Council of Europe Recommendations:

- Council of Europe Recommendation R (81) 19 to member states on access to information held by public authorities;
- Council of Europe Recommendation R (2002) 2 to member states on access to official documents.

3.10.3.1.2. Institutional framework

The field of public information falls within the sphere of competence of the Ministry of Culture – Department for the Media and the Republic Broadcasting Agency.

The Department for the Media supervises the enforcement of media laws. The Department employs 19 (nineteen) staff working in three internal organisational units.

The Republic Broadcasting Agency (RBA) was established by the Law of Broadcasting (Law on Broadcasting (*Official Gazette RS* no. 42/02, 97/04, 76/05, 79/05, 62/06, 85/06 and 91/06), in conformity with the Council of Europe Recommendation R (2000) 23 on independence and functions of regulatory authorities for the broadcasting sector, as an independent organisation exercising public authorities, with the objective of providing the prerequisites for efficient implementation and promotion of the set broadcasting policy in the Republic of Serbia in a manner appropriate for democratic society. The Republic Broadcasting Agency is an autonomous organisation, functionally independent of any public administration body, as well as of all organisations and persons engaging in production and broadcasting of radio and television programmes or in activities associated with, subsidiary to or derived from these.

Pursuant to the Law on Broadcasting, RBA is competent for supervising the enforcement of the Law, issuing broadcasting licences pursuant to the Radio Frequency Assignment Plan, stipulating binding rules for broadcasters, supervising the broadcasters' work, conducting affairs in the field of broadcasting with the aim of protecting minors, enforcing regulations on authors' and related rights and preventing the broadcasting of programmes that contain information inciting discrimination, hatred or violence against individuals or groups of individuals on the grounds of their belonging or not belonging to a particular race, religion, ethnical group or sex.

The governance body of the Agency is the Council, which decides on all matters falling within the Agency's sphere of competence. The RBA Council consists of nine members, nominated from the circles of renowned experts in the fields of importance for conducting affairs in broadcasting, and they are elected by the National Assembly of the Republic of Serbia.

The Agency has technical departments, which attend to the Council and Agency's duties in a functional and efficient manner. RBA technical departments are under the responsibility of the executive director. Technical departments currently employ 48 staff.

Commissioner for Information of Public Importance is an independent and autonomous public body established by the Law on Free Access to Information of Public Importance, with the aim of ensuring the right to access to information of public importance held by public authorities. In addition to the Commissioner himself and his deputy, the Commissioner's office employs five (5) staff.

3.10.3.2. Short-term priorities (2008-2009)

3.10.3.2.1. Legislation

Short-term priorities include passing new regulations as well as amending the existing ones, with the aim of creating the legislative framework for further development of media legislation:

- Passing the Law on Ratification of the European Convention on Transfrontier Television. Namely, at the proposal of the Ministry of Foreign Affairs, in November 2007 the Government of the Republic of Serbia adopted the Draft Law on Ratification of the European Convention on Transfrontier Television and submitted it to the National Assembly. Although the Convention has not been ratified, the Ministry of Culture has its delegate in the Standing Committee for Transfrontier Television in the capacity of an observer.
- Passing the Law on Unallowable Mergers and Transparency of Ownership of Public Media. The working version of the law has been drafted in line with Council of Europe regulations such as: Declaration of the CoE Committee of Ministers on protecting the role of the media in democracy in the context of media concentration, Recommendation R (94) 13 on measures to promote media transparency, Recommendation R (2007) 2 on media pluralism and diversity of media content and Recommendation R (99)1 on measures to promote media pluralism.
- Passing an amendment to the Law on Free Access to Information of Public Importance, whereby the Law will be transferred to the competence of the Ministry of Public Administration and Local Self-government, which – unlike the Ministry of Culture – has institutional capacities for supervising the enforcement of the said Law.
- Transformation of the federal public institutions in the field of public information, namely Radio Yugoslavia, Film Journal and Yugoslav Survey, in line with the laws and needs of the Republic of Serbia.
- Finalising privatisation of electronic media, which is conditioned by resolving the clash between the Law on Public Information and Law on Broadcasting, on the one hand, and the Law on Local Self-government (*Official Gazette RS* no. 129/2007) and the Law on the Capital City (*Official Gazette RS* no. 129/2007), on the other.²⁹
- Creating conditions required for the transition of electronic media from analogue to digital frequencies. This involves creating the legal framework, unbundling the broadcasting infrastructure from the Serbian Broadcasting Service and establishing a separate public enterprise for broadcasting system operation/management, mapping the potential funding sources for implementing digitalisation, as well as raising public awareness of the importance and advantages of the transition to digital system.

²⁹ The Law on Public Information and Law on Broadcasting stipulate that the state and unit of territorial autonomy may not be founders of public media, either directly or indirectly, whereas Art. 8, paragraph 2, clause 5 of the Law on the Capital City allows the City of Belgrade, which exercises the competences of municipality and city, may establish television and radio stations, newspapers and other public media, and Art. 20, paragraph 1, clause 34 of the Law on Local Self-government envisages that a municipality may establish television and radio stations for the purpose of reporting in the national minority language which is in official use in the concerned municipality, as well as for the purpose of reporting in the national minority language which is not in official use, when such reporting represents the attained level of minority rights.

3.10.3.2.2. Institutions

The institutional priority of the Ministry of Culture is staff capacity building through staff training and technical strengthening of the Department for the Media.

The Republic Broadcasting Agency plans to extend the present cooperation with the regulatory bodies in the region and EU in the forthcoming period. Continued cooperation with these institutions ensures exchange of experiences in the field of broadcasting, especially as regards staff in the Agency's technical departments, who need this type of cooperation in the interest of more efficient implementation of the Law on Broadcasting.

By the end of 2008, the Agency plans to procure additional technical equipment required by technical departments, especially the Analysis and Supervision Department. By procuring such equipment, efficiency in monitoring programme contents for compliance with the Law on Broadcasting would be raised.

3.10.3.3. Medium-term priorities (2010-2011)

3.10.3.3.1. Legislation

Media legislation aligned with *acquis communautaire* and observance of principles and obligations flowing from World Trade Organisation membership are the main medium-term priorities of the Ministry of Culture. Accordingly, the Ministry will amend the media laws and create the legal possibility of digitisation of broadcasting.

3.10.3.3.2. Institutions

Considering that media laws will be harmonised with *acquis communautaire*, the Ministry of Culture, in its new Rules on Internal Organisation and Job Classification, will envisage jobs corresponding to the workload and its nature.

Cinematography

3.10.3.1 Existing situation

3.10.3.1.1. Legislative framework

Relations in the field of cinematography are regulated by the **Law on Cinematography** (*Official Gazette RS* no. 46/91, 53/93, 56/93, 67/93, 47/94, 48/94 and 101/2005), according to which cinematography comprises the activities of film production, film rental, lending and public exhibition.

According to the **Law on Activities of General Interest in the Field of Culture** (*Official Gazette RS* no. 49/92), general interest also includes activities in the field of cinematography. This general interest in the film industry is pursued by means of funding through annual competitions aimed at assisting continuous production of artistic films, application of new technologies and stimulating the return of audiences to cinemas. In addition to investing in film production, the Ministry of Culture also invests in incentives for festivals, awards, events and film colonies, and assists projects aiming at decentralisation, demetropolisation and promotion of local community cultural development, development of youth culture and culture of persons with special needs.

Council of Europe Convention on Cinematic Co-production (Law on Ratification of the European Convention on Cinematic Co-production, *Official Journal of Serbia and Montenegro – International Treaties*, no. 2/2004) was ratified in 2004, whereby the Republic of Serbia joined the Council of Europe Fund for the co-production, distribution and exhibition of European cinematographic works - EURIMAGES. Also, the Film Centre Serbia represents our country in SEE CN (South East Europe Cinema Network), based in Thessaloniki, Greece.

3.10.3.1.2. Institutional framework

The field of cinematography falls within the sphere of competence of the Ministry of Culture – *Division for Contemporary Artistic Production and Culture Industry* and the Film Centre Serbia. Within this Division, two staff members perform tasks relating to the field of cinematography, namely preparing analyses, reports and information on the situation and development of culture industry and proposing measures for its improvement.

Film Centre Serbia was established in 2004 and entrusted with the task of enabling and managing the strategic development and reconstruction process of Serbian cinematography, stimulating the creative aspect and administrating the support to Serbian cinematography, assisting in the establishment of legal and financial framework for cinematography development with a view to attaining EU standards, enabling the distribution and protection of the cinematic cultural heritage and creating conditions for improvement of professional structures in the field of cinematography.

3.10.3.2. Short-term priorities

3.10.3.2.1. Legislation

Short-term priorities comprise:

- Adopting a strategic plan for the development of cinematography;
- Defining the cultural institutions in this field;
- Passing a new Law on Culture that would allow the possibility of establishing a Cinematography Fund;
- Passing a new Law on Cinematography.

The new Law on Cinematography, whose working version has already been prepared and conforms to the EU standards, has as its principal aim the provision of more favourable conditions for conducting all activities in the field of cinematography, with a view to ensuring state aid, protection of minors, protection of audiovisual heritage, support to cinematic co-productions, observance of intellectual property legislation as well as broadcasting legislation.

Ratification of the following conventions:

- **European Convention on Transfrontier Television,**
- **Convention on the Protection and Promotion of the Diversity of Cultural Expressions (UNESCO)**

has been identified as a short-term priority, as well as participation in

- Community Programme “**Media 2007**“
- European Audiovisual Observatory.

3.10.3.2.2. Institutions

The priority of the Ministry of Culture is staff training and ongoing development in the field of policy in this sector, as well as adopting a new job classification for the Film Centre Serbia, staff training and development.

3.10.3.3. Medium-term priorities

3.10.3.3.1. Legislation

Efficient implementation of new laws that conform to standards in this field applicable primarily in the EU member states. Legislation harmonised with *acquis communautaire* and observance of principles and duties flowing from WTO membership.

3.10.3.3.2. Institutions

The general medium-term objectives are modernization of cinema network, development of audiovisual communications and promotion of the cinematic culture. As regards the Ministry of Culture, the priorities are human resources strengthening in the Ministry and the Film Centre Serbia according to the presented schedule:

Table 1

Requirements of public institutions in terms of employment

Institution		State whether the institution is an existing or planned one	Present staff number	Planned (total) staff number (by years)				
				2008	2009	2010	2011	2012
Ministry of Culture	Department for the Media	Existing	19	16				
	Department for Creative Work (film)	Existing	2					3
Republic Broadcasting Agency		Existing	50					
Commissioner		Existing	6	13				
Film Centre		Existing	7					17
Total			84					

3.10.3.4. Funding required

Table 2A.³⁰ Requirements of the Ministry of Culture (MC)

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities/ ³¹					

³⁰ Table 2A represents the sum of funds stated in tables 2B and 2C.

³¹ Additional costs incurred by implementing regulations and not direct administration costs, e.g. social assistance, assistance to consumer protection organisations, assistance to NGOs, etc.

Institution building (offices, staff, equipment, etc.)					
Infrastructure ³²					

Note:

State amounts in EUR separately for each year.

For foreign support, state which.

Table 2B. Budget of the Ministry of Culture (MC) – domestic sources

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities	<i>RSD</i> 250,000,000	<i>RSD</i> 300,000,000	<i>RSD</i> 300,000,000	<i>RSD</i> 350,000,000	<i>RSD</i> 350,000,000
Institution building (offices, staff, equipment, etc.)					
Infrastructure					

Table 2C. Budget of the Ministry of Culture (MC) – international sources (*Twinning*, technical assistance, IPA/bilateral)

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities (<i>policy</i>)					
Institution building (offices, staff, equipment, etc.)					
Infrastructure					

Table 3A. Requirements of the Film Centre Serbia (FCS)

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities /					
Institution building (offices, staff, equipment, etc.)					
Infrastructure					

Table 3B. Budget of the Film Centre Serbia (FCS) - domestic sources

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities (<i>policy</i>)	RSD 7,363,800				
Institution building (offices, staff, equipment, etc.)	RSD 22,978,817				
Infrastructure					

³² Construction of facilities in areas in which it is possible to state: roads, airports, railways, infrastructure works, “Schengen border”, etc.

Table 3C. Budget of the Film Centre Serbia (FCS) - international sources (*Twining*, technical assistance, IPA/bilateral)

	in 2008	in 2009	in 2010	in 2011	in 2012
<i>Activities (policy)</i>					
Institution building (offices, staff, equipment, etc.)	EAR technical cooperation project (€ 2 million)	EAR technical cooperation project (€ 2 million)	EAR technical cooperation project (€ 2 million)		
Infrastructure					

3.11. AGRICULTURE AND RURAL DEVELOPMENT

3.11.1. Agriculture

3.11.1.1. State of play

Agriculture is one of the key components of Serbia's economic development. Its position in the country's economy is specific, given that, besides the economic importance, it also has an exceptional social and ecological one. Its share in GDP is about 11% (about 18%, if including food industry too), employs about 23% of total employees, i.e. 17 % of active population, and its share in exports is about 20%.

In the brief transition period, and the preceding decade, Serbia's agriculture has suffered a heavy negative influence. Socio-economic conditions in which it developed over the period, deepened the problem of its low accumulative capacities and the period of isolation severed technical and technological development which ultimately brought about drop of its competitiveness and the loss of market share.

Serbia's agriculture, after the plight it was facing in the past fifteen years, and the difficulties caused by attempts to adjust to market economy, now is facing a new, great challenge imposed by integration with the European Union. This process will entail numerous changes such as change in production structure, farms, resource management, production control system, market access, environment protection and rural development policies. These changes, however, should not be just an outcome of integration process, but also a result of established economic practices that should pervade all spheres of agricultural sector.

Generally, Serbia's agriculture should aim at increasing the overall gain and integration with the EU, to the mutual benefit.

In the area of agriculture and rural development, the Republic of Serbia is partly aligned to the EU's *acquis*.

3.11.1.1.1. Legislative framework

Agricultural policy making is the competence of the Sector for Analysis and Agricultural Policy of the Ministry of Agriculture, Forestry and Water Management. The agricultural area is regulated by laws, by-laws and strategic papers:

1. The Law on Measures to Improve Farming („The Official Gazette of RS“ 61/91)
2. The Law on Wine and Brandy (rakija) („The Official Gazette of RS“ 70/94)
3. The Law on Agricultural Land („The Official Gazette of RS „ 62/2006),
4. The Law on Transforming Social Ownership over Agricultural Land into Other Forms of Ownership (“The Official Gazette of RS „ 49/92 и 54/96)
5. Instructions on the method and procedure of identifying and registering state- and socially owned agricultural land used by legal entities („The Official Gazette of RS „ 21/94)
6. The Law on Genetically Modified Organisms („The Official Gazette of FR Yugoslavia“ 21/2001 and four rulebooks regulating detailed conditions of work and use of GMOs)

The existing strategic document defining policy and development of agricultural sector in the Republic of Serbia is the Strategy of agricultural development of the Republic of Serbia („The Official Gazette of RS“ 78/05).

With the effective Strategy of agricultural development, a strong shift was made in strategic goals and implementation mechanisms. The reformed agricultural policy is oriented toward increasing competition of family and commercial homesteads. In the implementation mechanisms, the shift is from the policy of income incentive to investment incentive. The main directions of agricultural policy are:

7. Change in structure (of producers, ownership and institutions);
8. Development of market and market mechanisms;
9. Rural development and environment protection.

In the area of agricultural policy the Sector of agricultural operations is in charge of payment operations, i.e. implementing the agricultural policy measures.

Specific measures of agricultural policy are adopted by the Serbian Government each year, pursuant to the Law on Budget of the Republic of Serbia and the Program of allocation and use of incentive funds in the area of agriculture, forestry and water management passed on the basis of individual decrees. All these regulations are published in the Official Gazette of the Republic of Serbia.

The area of inspection supervision is covered by the Sector for inspection supervision, based on the following legislative framework:

- The Law on Conditions to Operate in Marketing Goods, Rendering Services in Marketing Goods and Inspection Supervision („The Official Gazette of RS“ 39/96, 20/97, 46/98, 34/01);
- The Law on Supervision of Food Products of Plant Origin („The Official Gazette of RS“ 25/96);
- The Law on Quality Control for Agricultural and Food Products in Foreign Trade („The Official Gazette of FRY“ 12/95, 59/98);
- The Law on Consumer Protection („The Official Gazette of RS “ 79/2005);
- The Law on Wine and Brandy (rakija) („The Official Gazette of RS “ 70/94);
- The Law on Agricultural Land („The Official Gazette of RS “ 49/92, 53/93,67/93,48/94,46/95,54/96, 14/2000);
- The Law on Measures to Improve Farming („The Official Gazette of RS “ 61/91);
- The Law on Tobacco („The Official Gazette of RS “ 101/2005);
- The Law on Organic Production and Organic Products („The Official Gazette of RS “ 62/06);
- The Law on Technical Requirements for Products and the Products’ Conformity Assessment (“The Official Gazette of Serbia and Montenegro”,44/2005.).
- Other by-laws

The effective rulebooks regulate more detailed conditions on quality and other requirements to be met in the process of production, processing and marketing of agricultural and food products. The alignment of certain rulebooks with the EU regulations varies.

3.11.1.1.2. Institutional framework

The Ministry of Agriculture, Forestry and Water Management of the Republic of Serbia is a relevant institution dealing with creation and definition of agricultural policy. The Ministry’s internal organization is composed of: Sector for analysis and agricultural policy; Sector for rural and agricultural development; Sector for agricultural operations; Sector for inspection supervision and Sector for legal and general affairs, as well as the administrative bodies within the Ministry: the Veterinary Directorate, Directorate of Plant Protection, Directorate of Forests and Directorate of Waters

3.11.1.2. Short-term priorities – Activities for the period 2008/2009

3.11.1.2. 1. Legislation

Starting from the previously adopted priorities outlined in the European Partnership and The European Commission Progress Report for 2007, the short-term priorities are:

In the area of agricultural policy alignment of regulations with the EU's acquis, i.e.:

- The Law on Agriculture and Rural Development,
- The Law on Farming (alignment to the *Zootechnical community legislation*),
- The Law on Feed (EC Decree 183/2005, observing the EU legislation regulating the European standards),
- The Law on Wine (EC Decree 1493/1999, 1623/2000, 883/2001, 884/2001, 1227/2000, 1623/2000),
- The Law on Ethyl Alcohol (EC Decree 1623/00,670/03,2336/03,2001/05,370/03),
- The Law on Brandy and Other Alcoholic Drinks (EC Decree 110/2008),
- The Law on GMO's (EC Directive 2001/18),
- Adoption of Serbia's new Strategy for Agriculture and Rural Development for the period 2009-2013,
- Adoption of the National Strategy of Sustainable Use of Natural Resources and Assets in the Republic of Serbia,
- Amendments to the Law on Supervising Food Products of Plant Origin („the Official Gazette of RS“ 25/96) and the Law on Quality Control of Agricultural and Food Products in Foreign Trade Marketing („the Official Gazette of FRY“ 12/95, 59/98), as well as harmonization with the EU legislation.

3.11.1.2. 2. Institutions

In order to further build capacities of the Ministry of Agriculture, Forestry and Water Management of the Republic of Serbia, the following bodies will be set up:

- o Sector for integration with the EU and WTO and for international cooperation, with significant enlargement of staff,
- o Department for monitoring the impact of agricultural policy measures and the enlargement of staff in the Department for primary production and processing within the Sector for analysis and agricultural policy,
- o Agricultural Land Directorate,
- o Improvement of the system and quality of work in the Sector for inspection supervision and setting up a database of supervision entities,
- o Adoption of the Law on Agriculture and Rural Development will be followed by creation of Directorate for Agricultural Payment Operations, to perform all the duties in agricultural payments, in cooperation with the ministry of finance – Treasury Department, with which there already is a certain cooperation going on.

3.11.1.3. Mid-term priorities – activities for the period 2009-2012

In this period, Serbian agriculture will be aligned and approximated to the EU's Common Agricultural Policy to a great extent. The process of accession to WTO will have been finished and pursuant to that relevant obligations will emanate. Agricultural producers and processors will have to make a fast progress in quality and efficiency if they want to participate in that large market. Enhancement and reinforcement of the Ministry of Agriculture, Forestry and Water Management in Serbia's *acquis* alignment and implementation process will be the key factor for success in this period.

The previous two phases' development will to a great extent harmonize Serbia's agricultural policy with the EU's CAP and will enable unhindered trade in agricultural and food products. Accessibility of pre-accession funds and their utilization will also depend on development and enhancement of our capacities in the previous phases.

3.11.1.3.1. Legislation

- To evaluate the measures of agricultural policy against Serbia's status in this phase
- Establish a better communication with the Republic's Geodesy Institute regarding land catastrophe, improve the quality of agricultural land
- Develop a stable and functional market of renting agricultural land
- Establish a programme of commodity register of agricultural and food products in public storages (this implies adoption of the Law on Public Storages)
- Continue further reinforcement of the agricultural and food market system, including quality control (*HACCP* Good Agricultural Practices)
- Prepare a programme for enhancement of establishments for food production and processing in accordance with the EU requirements
- Draft rulebooks that regulate technical requirements for agricultural and food products
- Establish a national evaluation database in the area of modern biotechnology
 - Rulebook on oenology practices (EC Decree 1493/1999, 1622/2000, 1422/2000, 2165/2000)
 - Rulebook on vineyard and wine registry (EC Decree 1493/1999)
 - Rulebook on wine's geographical origin control (EC Decree 1493/1999, 753/2002, 2729/2000)
 - Rulebook on wine labelling (EC Decree 1493/1999, 753/2002)
 - Rulebook on keeping winery records (EC R 1493/1999)
 - Rulebook on flavoured wines (EC Decree 1493/1999, 1601/1991)
 - Rulebook on winery regional division (EC Decree 1493/1999)
 - Rulebook on Sensor Appraisal of Wine (EC Decree 1493/1999)
 - 14 Rulebooks on Implementing the new Law on GMOs
 - Draft the Strategy for enhancement and development of fruit growing
 - Draft the Strategy for enhancement of brandy production and trade

3.11.1.3.2. Institutions

- Reinforcement of administrative capacities of the Ministry of Agriculture, Forestry and Water Management of the Republic of Serbia will be in line with the needs corresponding the level of preparedness of Serbia's agriculture to integrate with the EU's single market
- Establishing all institutions and structures necessary for implementation of CAP
- Further reinforcement of the Payment Directorate

Genetically modified organisms

The area of GMOs is partly aligned to the EU's *acquis*, and it is regulated by the Law on Genetically Modified Organisms („The Official Gazette of FR Yugoslavia“ 21/2001). The competent authority for GMO Law implementation is the Ministry of Agriculture, Forestry and Water Management of the Republic of Serbia. The Law defines conditions for limited use, introduction into production and trade in GMOs and GMO-made products, as well as conditions and measures for prevention and removal of unsolicited impact on the environment and human health. Many elements have remained unregulated: transboundary trade, labelling, public participation, monitoring of GMO's and GMO-made products. The Law is a framework for work and use of GMOs, whereas the detailed conditions for the work and use of GMOs are defined by four adopted Rulebooks.

The Directorate for Plant Protection and Veterinary Directorate as administrative units within the Ministry of Agriculture, Forestry and Water Management, are in charge of performing inspection in the area of GMOs. Also in inspection supervision the participants are border phytosanitary and veterinary inspectorates (GMO and GMO-products' import control), as well as agricultural inspectorate.

Agricultural statistics

The Ministry of Agriculture, Forestry and Water Management drafts wine and food balances and collects administrative data in the area of livestock and agricultural homesteads, and monitors traceability in production. The Ministry will get actively involved in the preparations of the Republic's Statistical Office for conducting an overall agricultural inventory which hasn't been made for decades and which is expected to provide a realistic cross-section of total agricultural resources in the Republic of Serbia.

3.11.1.4. Financial needs

3.11.1.4.1. Budget

3.11.1.4.1. Foreign aid

Aiming at building administrative capacities for pursuing the policy of agricultural development, the following projects have been implemented in this phase:

- The twinning project “Strengthening the vineyard and winery sector of Serbia “
- The project “Economic analyses and projecting agricultural production“ and establishing the system of market information (technical assistance to the Ministry of Agriculture from *USDA*)
- The project of creating EU-compatible systems for milk testing, in line with the Directives E3 64/432 and 97/12.

The proposed projects for IPA in 2008

- Institutional capacity strengthening in the Land Directorate, aiming at formulating and implementing land policy in accordance with the EU legislation and establishment of agricultural land information system.

Projects proposed for IPA 2009

- Implementation of market standards' control system for fresh fruit and vegetables in accordance with Decree 1148/2001

3.11.2.. Rural development

3.11.2.1. State of play

The Republic of Serbia does not have a legislative framework regulating rural development, so adoption of a new law on agriculture and rural development will regulate this area.

3.11.2.1.1. Legislative framework

The area of animal genetic resources is not regulated by a particular law.

- The Law on Agricultural Service (Official Gazette of RS 61/91)
- The Law on Organic Production and Organic Products (Official Gazette of RS 62/06)

By-laws:

- Decree on allocation and use of incentive funds for building a rural development support system
- Decree on allocation and use of incentive funds for support to rural development through purchasing new agricultural equipment and machines, as well as digging wells for irrigation purposes
- Decree on allocation and use of incentive funds for support to rural development through investing in rural tourism
- Decree on allocation and use of incentive funds for support to implementation of entrusted and other expert and advisory affairs in agriculture
- Decree on allocation and use of incentive funds for improvement of the activities and support to interest-driven association of farming cooperatives
- Decree on allocation and use of incentive funds for support to rural development through a specific support programme to socially vulnerable, displaced persons and refugees
- Decree on allocation and use of incentive funds for support to rural development through a specific programme of support to development of Roma ethnic community members
- Decree on establishing a programme on allocation and use of incentive funds for keeping and sustainable use of plant genetic resources for food and agriculture
- Decree on establishing a programme on allocation and use of incentive funds for keeping and sustainable use of genetic resources of domestic animals
- Decree on allocation and use of incentive funds for support to development of organic production
- Rulebook on requirements to be met by a legal entity issuing a certificate or a re-certificate for organic products and on the way of certification (Official Gazette of RS 81/06)
- Rulebook on packaging, storing and transport of organic products (Official Gazette of RS 96/06)
- Rulebook on the design of label and national mark of organic products (Official Gazette of RS 107/07)
- Rulebook on the conditions and way of trade in organic products (Official Gazette of RS 7/08)
- Rulebook on the method of keeping records and contents of reports based on which records are kept for organic production (Official Gazette of RS 14/08)
- Rulebook on the methods of organic cattle breeding (Official Gazette of FRY 52/02)
- Rulebook on methods of organic plant production and on collecting forest fruits and medical herbs as products of organic agricultural production (Official Gazette of FRY 52/02)

Other documents:

- Convention on Protection of Biodiversity,
- Global Action Plan for Animal Genetic Resources
- International Treaty on Plant GRs for Food and Agriculture
- Global plan for plant and GRs

3.11.2.1.2. Institutional framework

Pursuant to the **Law on Ministries**, the **Environment Protection Ministry** is the focal point for biodiversity management and protection and as such, it fosters wild flora and fauna, while the **Ministry of Agriculture, Forestry and Water Management** is competent for management and protection of agricultural biodiversity, i.e. it fosters cultivated plants and domestic animals and is in charge of plant and animal gene banks.

The area of rural development within the Ministry of Agriculture, Forestry and Water Management is under the competences of the Sector for Rural and Agricultural Development and 35 **expert and advisory institutions** that perform the entrusted advisory and other affairs for the Ministry, and are organized as institutes, offices and agricultural stations.

Scientific and research institutions in the area of genetic resources: Faculties of Agriculture of Belgrade, Novi Sad and Pristina University, Farming Institute of Zemun Polje, Maize Institute of Zemun Polje, Crops and Vegetables Institute of Novi Sad, Fruit Institute of Cacak, Vegetable Institute of Smederevska Palanka, Forage Institute of Krusevac, Biological Faculty and Institute of Belgrade, Centre for vineyards and winery of Nis, Institute of Corn in Kragujevac, Potato Centre in Guca, etc..

3.11.2.2. Short-term priorities 2008/2009

3.11.2.2.1. Legislation

- The Law on Agriculture and Rural Development in accordance with EC Decree 1698/2005 and 1085/2006
- The Law on expert/advisory service in the area of agriculture and rural development, in accordance with EC Decree 1782/2003 and 1783/2003 and their subsequent amendments
- Strategies for regulation and enhancement of the work of advisory services in agriculture. The National Programme for Rural Development in the period 2008-2013.
- By-laws related to organic production
- Farming Law

3.11.2.2.2. Institutions

There is a need to strengthen the existing capacities and for new human resources, that would be trained and engaged in the work necessary to be done by implementation of the EU regulations and emanating from the commitments of the EU accession.

The work of existing and future human resources should be followed by certain financial and technical conditions (size of working space, IT equipment, vehicles, etc.)

3.11.2.3. Mid-term priorities 2009/2012

3.11.2.3.1. Legislation

Pursuant to the Law on Agriculture and Rural Development and the Law on Expert/Advisory Service in the area of agriculture and rural development there will be further adoption of by-laws.

Harmonization with the EU Directive 870/2004 defining the EU programme for protection, characterization, collecting and use of genetic resources in agriculture.

Setting up the Bank of plant genes (based on the Seed Law)

3.11.2.3.2. Institutions

Building and strengthening capacities of agencies responsible for administration of rural development incentives

Managing Authority

Program Monitoring Committee

National program and Action Plan for protection and sustainable use of genetic resources, both plant and animal.

3.11.2.4. Financial needs

3.11.2.4.1. Budget

3.11.2.4.2. Foreign aid

- SRDPPS- Support for Rural Development Programming and Payment System – EAR TA
- STAR- Serbian Transitional Agricultural Reform – preparatory phase finished, waiting for ratification– WB Loan/GEF grant
- DREPR- Serbia Danube river Enterprise Pollution Reduction Project – WB/GEF/SIDA Grant
- „Building capacities for implementation of rural development policies in accordance with the EU standards “aims at strengthening capacities of staff for implementation of IPA component for rural development
- „Building capacities for *LEADER* activities in the Republic of Serbia -*LEADER* Serbia“ is expected to strengthen capacities for programming, monitoring and evaluation of *LEADER* measures on national and regional levels - Romania
- *SEEDNet* „South East European Development Network for Plant Genetic Resources“ -*SIDA*

Administrative capacities

The Ministry of Agriculture, Forestry and Water Management of the Republic of Serbia

Name of the institution	Existing/planned institution	Current staff	The planned total staff by years				
			2008.	2009.	2010.	2011.	2012.
Rural and agricultural development	Existing	21					

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sector							
		-	-	40	40	60	60
TOTAL :		21	21	40	40	60	60

Name of the institution	Existing/planned institution	Current staff	The planned total staff by years				
			2008.	2009.	2010.	2011.	2012.
Inspection supervision sector	Existing	143					
			137*	137	145	152	160
TOTAL :			137*	137	145	152	160

*for 2008 downsizing is not planned, but 25 employees are expected to be reassigned to the Agricultural Land Directorate within the Ministry, which is proposed by the new systematization pending for adoption.

Name of the institution	Existing/planned institution	Current staff	The planned total staff by years				
			2008.	2009.	2010.	2011.	2012.
Sector for legal and general affairs	Existing	27					
			30	35	40	45	50
TOTAL			30	35	40	45	50

Name of the institution	Existing/planned institution	Current staff	The planned total staff by years				
			2008.	2009.	2010.	2011.	2012.
Sector for agricultural operations	Existing	11					
			21	31	35	38	40
TOTAL			21	31	35	38	40

Name of the institution	Existing/planned institution	Current staff	The planned total staff by years				
			2008.	2009.	2010.	2011.	2012.
The sector for analysis and agricultural policy	Existing	35					
			45	65	85	105	125
TOTAL			45	65	85	105	125

Name of the institution	Existing/planned institution	Current staff	The planned total staff by years				
			2008.	2009.	2010.	2011.	2012.

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Land Directorate	Existing						
			64	90	110	120	130
TOTAL			64	90	110	120	130

Name of the institution	Existing/planned institution	Current staff	The planned total staff by years				
			2008.	2009.	2010.	2011.	2012.
The sector for EU, WTO and international relations	Planned	5					
			5	30	40	50	60
TOTAL			5	30	40	50	60

Name of the institution	Existing/planned institution	Current staff	The planned total staff by years				
			2008.	2009.	2010	2011	2012
Veterinary Directorate	Existing						
	Existing	436	436	476	516	556	596
TOTAL	Existing	436	436	476	516	556	596

From 2009 it is planned to enlarge the staff by 40 members every year, in the Veterinary Directorate.

3.12 FOOD SAFETY, VETERINARY AND PHYTOSANITARY POLICY

3.12.1. Food safety and control

3.12.1.1 State of play

Food safety regulations in Serbia are partly aligned to the EU regulations.

3.12.1.1.1. Legislative framework

Food safety regulations cover the affairs of inspection control, safety and hygiene of food and feed, food labeling food and feed quality, safety of genetically modified food and feed and new food
Laws:

- The Law on Safety of Foodstuff and Articles of General Use (SFRY Official Gazette 53/91, FRY Official Gazette 24/94 and 28/96, Official Gazette 101/05),
- The Law on Veterinary Practice (RS Official Gazette 91/2005)
- The Law on Sanitary Supervision over Foodstuff and Articles of General Use (FRY Official Gazette 48/77, 29/88 and RS Official Gazette 44/91, 53/93, 67/93, 48/94)
- The Law on Quality Control of Agricultural and Food Products in Foreign Trade (FRY Official Gazette 12/95, 59/98)
- The Rulebook on Declaration and Labeling of Packed Foodstuff (SCG Official Gazette 4/2004, 12/2004 and 48/2004),
- The Rulebook on Microbiological Safety of Marketed Foodstuff (FRY Official Gazette 26/93 and 53/95).
- The Rulebook on Quantities of Pesticides, Metals and Metalloids and other Poisonous Substances, Chemotherapeutics, Anabolics and other Substances in Food (FRY Official Gazette 5/92, 11/92).
- The Rulebook on Conducting Veterinary and Sanitary Check-up and Control of Animals before Slaughter and of Products of Animal Origin (SFRY Official Gazette 68/89).
- The Rulebook on Conditions of Safety for Marketable Diet Foodstuff (SFRY Official Gazette 4/85, 70/86, 69/91).
- The Rulebook on Hygienic Safety of Potable Water (FRY Official Gazette 42/ 98)
- The Rulebook on Conditions to be Met by Slaughter Houses for Imported Animals (SFRY Official Gazette 53/89).
- The Rulebook on Conditions to be Met by Facilities for Slaughter, Processing and Storage of Food of Animal Origin (SFRY Official Gazette 53/89).
- The Rulebook on Veterinary and Sanitary Conditions for Establishments Producing and Trading in Animal Origin Food (RS Official Gazette 11/2008)
- The Rulebook on Form and Contents of Mark, i.e. confirmation of game safety for human consumption, as well as the way and procedure of labeling animal-origin food (RS Official Gazette 44/2007)
- The Rulebook on Specific Conditions for Production and Trade of Food of Plant Origin (RS Official Gazette 50/96)
- The Rulebook on Quality and Other Requirements for Feed (FRY Official Gazette 20/2000 and 38/2001)
- The Rulebook on Quality of Fruit, Vegetables and Mushrooms (SFRY Official Gazette 29/79 and 53/87).

- The Rulebook on Quality of Fruit Juices, Concentrated Fruit Juices, Fruit Nectars, Powder Fruit Juices and Akin Products (SFRY Official Gazette 33/95)
- The Rulebook on Quality of Corn, Mill and Bakery Products, Pasta and Frozen Pastries (FRY Official Gazette 52/95)
- The Rulebook on Quality of Slaughtered Swine and on Categorization of Pork (SFRY Official Gazette 2/85, 12/85 and 24/86).
- The Rulebook on Quality of Flesh of Livestock for Slaughter, of Poultry and Game (SFRY Official Gazette 34/74)
- The Rulebook on Quality and Other Requirements for Meat Products (SCG Official Gazette 33/2004)
- The Rulebook on Quality and Other Requirements for Milk, Dairy Products, Composite Dairy Products and Starter Cultures (FRY Official Gazette 26/2002)
- The 18th Rulebook on Quality and Other Requirements for Honey, Other Bee Products, , npenapare Based on Hone and Other Bee Products (SCG Official Gazette 45/2003)
- The 19th Rulebook on Quality and Other Requirements for Fish, Crab, Sea Urchins, Sea Cucumbers, Frogs, Turtles, Snails and Their Products (FRY Official Gazette 6/2003).

Strategic papers

The strategic documents defining the policy and development in the area of food safety in the Republic of Serbia are:

- The Strategy for agricultural development of the Republic of Serbia,
- The Strategy of Integrated Border Management,
- The National Strategy of Serbia for Serbia and Montenegro's Accession to the EU,
- The Resolution on the Accession to the EU,
- The Decision on Founding a Coordination Body for the EU Accession Process,
- The Stabilization and Association Agreement between Serbia and the EU.

Institutional Framework

The affairs in sanitary and quality safety of food of animal origin and feed in production, wholesale and retail trade and international trade are under the competences of the Veterinary Directorate.

The Plant Protection Directorate within the Ministry of Agriculture, Forestry and Water Management, is in charge of supervision and control of the safety of animal origin food and feed in primary production and in international trade.

The Sector for Inspection Supervision within the Ministry of Agriculture, Forestry and Water Management is in charge of quality of agricultural and food products, drinks, feed of animal origin in production and internal trade.

The Sector for Sanitary Supervision within the Ministry of Health conducts supervision in the area of: sanitary supervision of safety of foodstuff and articles of general use in production and trade.

Currently there is a concurrence of jurisdiction in the affairs of food safety between two ministries, and it will be resolved by the new Food Safety Law.

3.12.1.2. Short-term priorities – activities planned for 2008

3.12.1.2.1 Legislation

In accordance with short-term priorities of the European Partnership and the EC Progress Report for 2007, the short-term priorities in food safety are:

- Harmonization of the regulations with the EU *acquis* – adoption of the proposed Law on Food Safety, which is partly or fully aligned to the EU regulations;
- The European Parliament and Council Decree 178/2002, which defines general principles of and conditions of the Law on food. Harmonization with this Decree is almost complete, in accordance with this Law on Food Safety;
- The Decree of the European Parliament and Council 882/2004, on official controls. Harmonization with this Decree will be provided with adoption of by-laws, in accordance with the Law on Food Safety, the Law on Veterinary Practice and the Law on Plants;
- The Decree of the European Parliament and Council 852/2004 on hygiene of food products. Harmonization with this Decree will be provided with adoption of corresponding by-laws in accordance with the Law on Food Safety, the Law on Veterinary Practice and the Law on Plants;
- The Decree of the European Parliament and Council 853/2004 defining specific regulations for hygiene of animal origin food. Harmonization with this Decree will be provided with adoption of by-laws, in accordance with the Law on Veterinary Practice;
- The Decree of the European Parliament and Council 854/2004 establishing specific regulations for organizing official control of animal origin products intended for human consumption. Basic provisions of this Decree pertaining to official control of animal origin food are integral part of the Law on Food Safety, which means partial harmonization, while adoption of by-laws will provide full harmonization.
- The Decree of the European Parliament and Council 183/2005 defining conditions for feed hygiene. The proposed Law on Food Safety contains basic provisions containing feed hygiene. Full harmonization with this Decree will be provided with adoption of a specific law on animal feed.
- The Decree of the European Parliament and Council 258/97 pertaining to new food and new ingredients. The proposed Law on Food Safety contains basic provisions containing trade in new food and new ingredients of food. Full harmonization with this Decree will be provided with adoption of by-laws.
- The Decree of the European Parliament and Council 1829/2003, pertaining to genetically modified food and feed. The proposed Law on Food Safety contains basic provisions pertaining to trade in genetically modified food and feed. Full harmonization with this Decree will be provided with adoption of by-laws.

3.12.1.2.2 Institutions

Continuation of furnishing laboratories, staff training and development of standard operation procedures, implementation of international standards in veterinary area and that of food safety, as well as development of new methods of diagnostics and food testing.

- Adoption of new Rulebook on systematization and organizational chart in MPSV, which will increase the number of qualified staff in the Veterinary Directorate and provide implementation of by-laws based on the new Law on Food Safety and other laws pertaining to food safety (the Law on Veterinary Practice).
- Continuation of training in foreign languages and computer skills of the Directorate staff (both for the newly recruited and for the existing staff), which will support the development of information system in veterinary area.

3.12.1.3 Mid-term priorities

3.12.1.3.1 Legislation

In accordance with mid-term priorities of the European Partnership and the EC Progress Report for 2007, mid-term priorities in food safety envisage further harmonization with the EU's *acquis*.

Based on the Law on Food Safety, the Ministry of Agriculture, Forestry and Water Management (MPSV), together with the Ministry of Health (MZ), is going to embark on drafting by-laws to be adopted in accordance with the following EU regulations:

- The Council's Directive 89/662 on veterinary controls conducted in trade in the Community in order to establish internal market.
- (Harmonization with the provisions of this Directive will be provided with adoption of by-laws, in accordance with this Law on Food Safety and other laws pertaining to veterinary area. It will be fully implemented upon the accession to the EU).
- The Council's Directive 89/109 on harmonization of the member state laws regulating the area of materials and articles that get in touch with food.
- (Harmonization with this Directive will be provided with adoption of by-laws, in accordance with this Law).
- The Council's Directive 2000/13 on harmonization of member states pertaining to declaration, presentation and advertising of foodstuff. The Law stipulates basic provisions on declaration, presentation and advertising of food, and with adoption of by-laws full harmonization with this Directive will be provided. This Directive does not refer to third countries and will be applied after accession to the EU.
- After adoption of the Law on Food Safety, the following by-laws related to this Law will be adopted:
- The EC Decision 2007/275, referring to the list of animals and products that are subject to border crossing control in accordance with the European Council Directive 91/496 and 97/78
- The European Parliament and Council Directive 96/23 on monitoring certain substances and residuals in living animals and animal origin products.
- The European Parliament and Council Decree 258/97 pertaining to new food and food ingredients.
- The European Parliament and Council Decree 510/2006 on protection of geographical marks and marks of origin for agricultural and food products.
- The European Parliament and Council Directive 2002/46 on approximation of member states laws pertaining to food additives.
- The European Parliament and Council Decree 91/414 on trade with plant protection products.

In the area of complying with standards for facilities processing meat of all animals and milk and dairy products there is a planned delay in harmonization with the European standards (possible requests for interim periods).

Institutions

Food Safety Agency is planned.

3.12.2. Plant health

In the field of plant health, the Republic of Serbia is only partially harmonized with the relevant EU legislation.

3.12.3.1. Current state of affairs

3.12.3.1.1. Legislative Framework

Legislation in the field of plant health regulates conditions and measures for the prevention of the emergence and spread of harmful organisms, as well as for their detection and extermination; it also regulates the operation of the plant protection service (conditions and ways of protecting plants), health checks of nursery seed and planting material, health control of plants in both domestic and foreign trade, and the provision of services regarding extermination of harmful organisms and procurement of the resources for the implementation of the prescribed measures.

Laws

- Law on Plant Protection ('FRY Official Gazette', No. 24/98 and 26/98, 'Official Gazette of the Republic of Serbia', No. 101/05-the other law) and
- Law on Plant Protection against Diseases and Pests ('Official Gazette of the Republic of Serbia', 14/98, 6/6/89, 53/93, 67/93, 48/94 and 101/05-the other law).

By-laws

- Regulation on forecasting and reporting in the plant protection sector ('FRY Official Gazette', No. 65/99),
- Regulation on conditions for the treatment and labelling of wood packing material ('Official Gazette of the Republic of Serbia', No. 49/06),
- Regulation on control and eradication measures for the annual ragweed *Ambrosia artemisiifolia* L. (spp) ('Official Gazette of the Republic of Serbia', No. 69/06)
- Rules on health checks of plant consignments in cross-border trade ('FRY Official Gazette', No. 69/99, 59/01 and 'Official Gazette of the Republic of Serbia', No. 26/06),
- Rules on conditions to be met by the quarantine facilities for health checks of plants in the plant quarantine ('FRY Official Gazette', No. 68/01),
- Rules on ways of the extermination of plants which were ordered to be destroyed ('FRY Official Gazette', No. 67/01),
- Rules on health checks of crops and facilities for the production of seed, nursery plants and planting material and on health checks of these products ('FRY Official Gazette', No. 66/99, 13/02, 'Official Gazette of Serbia and Montenegro', No.10/03, 13/03 and 'Official Gazette of the Republic of Serbia', No. 39/06 and 59/06),
- Rules on determining quarantine lists for harmful organisms ('Official Gazette of the Republic of Serbia', No. 26/06),
- Rules on conditions regarding necessary technical equipment for heat treatments and ways of heat treatment applied to wood packing material ('Official Gazette of the Republic of Serbia', No. 66/06),
- Order on prohibiting and restricting the import and transit of certain plant species in order to prevent the introduction into the country of apple and pear fire blight. ('Official Gazette of SFRY', No. 40/91, 53/91),
- Order on measures to be taken for the prevention of the spread of the quarantine pest (*Diabrotica virgifera* Le Conte) ('FRY Official Gazette', No. 23/94),
- Order on sorts of imported planting material and monitoring health condition of plants when they reach end-users ('FRY Official Gazette', No. 8/99),
- Order on the implementation of prevention measures for forests and plants regarding the harmful insect gypsy moth (*Lymantria dispar* L.) ('Official Gazette of the Republic of Serbia', No. 102/04),

- Order on the identification of zones infected with quarantine harmful organism which causes grapevine *Flavescence doree* and on undertaking control measures on the whole territory of the Republic of Serbia ('Official Gazette of the Republic of Serbia', No. 25/05, 48/05 and 114/05),
- Order on prevention measures to be taken against the raspberry root rot caused by the phytopathogenic fungus *Phytophthora fragariae* var. *Rubu* ('Official Gazette of the Republic of Serbia', No. 25/05 and 114/05),
- Order on measures for the prevention of the introduction and spread of 'bois noir' disease caused by the phytoplasma from the genus *Stolbur* ('Official Gazette of the Republic of Serbia', No. 25/05),
- Order on measures for the prevention of the spread of the potato cyst eelworm and its extermination ('Official Gazette of the Republic of Serbia', No. 74/05),
- Order on the identification of zones infected with the quarantine harmful organism, which causes the damping-off disease of the raspberry (*Phytophthora fragariae* var. *rubi*) ('Official Gazette of the Republic of Serbia and Montenegro', No. 9/03).

Strategic documents

Strategic documents which define the policy and development regarding the phytosanitary field of the Republic of Serbia are the following:

- International Plant Protection Convention,
- Standards of the European and Mediterranean Plant Protection Organization,
- Strategy for the Development of Agriculture of the Republic of Serbia,
- Integrated Border Management Strategy,
- National Strategy for Serbia and Montenegro's Accession to the EU,
- Resolution on EU Accession (from October 13, 2004),
- Decision on setting up of the coordination body for EU accession process (October 2007),
- The EU Commission Serbia 2007 Progress Report,
- The Stabilization and Association Agreement of the Republic of Serbia,
- Memorandum of understanding of food chain safety laboratories reform from 2002 and the Annex from 2003.

3.12.3.1.2. Institutional Framework

Plant Protection Directorate within the Ministry of Agriculture, Forestry and Water Management is responsible for the establishment of the phytosanitary policy in agriculture and forestry. The current number of employees in the plant health sector is as follows:

- 6 posts at the central office of the Directorate in the Plant Health and Plant Quarantine Department,
- 4 inspectors at the central office of the Directorate who are responsible for the quality of work and who also work in the sector dealing with plant, seed and planting material health and the use of plant protection products and fertilizers,
- 71 phytosanitary inspectors – internal phytosanitary inspectors, who are deployed in six regional units and 34 border phytosanitary inspectors, working at six different border posts (altogether 105 phytosanitary inspectors)

The system for diagnostics and identification of harmful organisms is supported by the 'network' of laboratories consisting of 5 regional laboratories (routine analyses are conducted on a great number of

samples especially for cereals and pseudocereals and vegetables without *Solanaceae*, for industrial and fodder plants, for *Solanaceae*, grapevine and small-sized fruit and pip-fruit and stone-fruit) and laboratories at scientific institutes and faculties, which are responsible for expertise and which are authorized by the Ministry of Agriculture, Forestry and Water Management until the Reference Laboratory is set up.

The ‘network’ of laboratories is supported by agricultural units and institutes, which are distributed across regions; they perform plant health checks, as well as checks of seed and planting material; they issue relevant health certificates, carry out post-quarantine monitoring, perform health checks for the issuing of phytocertificates as well as tasks regarding reports, projections and counselling.

3.12.3.2. Short-term priorities

3.12.3.2.1. Legislation

In accordance with the priorities stated in the European partnership and in the EC Serbia 2007 Progress Report, short-term priorities in the plant health sector are the further harmonization of the national legislation with the EU *acquis* through the adoption of the Bill on Plant Health (which is in the process of adoption) and which is in line with the following:

- Directive of the Council 2000/29 protective measures against the introduction into the Community of organisms harmful to plants or plant products and against their spread within the Community,
- Commission Directive 92/90/EEC establishing obligations to which producers and importers of plants, plant products or other objects are subject and establishing details for their registration,
- Commission Directive 92/105/EEC establishing a degree of standardization for plant passports to be used for the movement of certain plants, plant products or other objects within the Community, and establishing the detailed procedures related to the issuing of such plant passports and the conditions and detailed procedures for their replacement,
- Commission Directive 93/50/EEC specifying certain plants not listed in Annex V, part A to Council Directive 77/93/EEC, the producers of which, or the warehouses, dispatching centres in the production zones of such plants, shall be listed in an official register,
- Commission Directive 95/44/EC establishing the conditions under which certain harmful organisms, plants, plant products and other objects listed in Annexes I to V to Council Directive 77/93/EEC may be introduced into or moved within the Community or certain protected zones thereof, for trial or scientific purposes and for work on varietal selections,
- Commission Decision 2004/416/EC on temporary emergency measures in respect of certain citrus fruits originating in Argentina or Brazil,
- Commission Decision 2004/426/EC amending Decision 2002/757/EC on provisional emergency phytosanitary measures to prevent the introduction into and the spread within the Community of *Phytophthora ramorum* Werres, De Cock & Man in 't Veld sp.nov.
- Commission Decision 2004/200/EC on measures to prevent the introduction into and the spread within the Community of Pepino mosaic virus,
- Commission Decision 2004/4/EC authorising Member States temporarily to take emergency measures against the dissemination of *Pseudomonas solanacearum* (Smith) Smith as regards Egypt,
- Commission Decision 2003/766/EC on emergency measures to prevent the spread within the Community of *Diabrotica virgifera* Le Conte,

- Commission Decision 2001/219/EC on temporary emergency measures in respect of wood packing comprised in whole or in part of non-manufactured coniferous wood originating in Canada, China, Japan and the United States of America,
- Decision 2001/218/EC requiring Member States temporarily to take additional measures against the dissemination of *Bursaphelenchus xylophilus* (Steiner et Buhrer) Nickle et al. (the pinewood nematode) as regards areas in Portugal, other than those in which it is known not to occur,
- Commission Decision 1999/355/EC on emergency measures against the dissemination of *Anoplophora glabripennis* (Motschulsky) as regards China (except Hong Kong)
- Commission Decision 98/109/EC authorising Member States temporarily to take emergency measures against the dissemination of *Thrips palmi* Karny as regards Thailand,
- Directive 74/647/EEC on control of carnation leaf-rollers,
- Council Directive 69/466/EEC in order to control San Jose scale.

3.12.3.2.2. Institutions

- Continuation of the programme regarding the equipping of regional laboratories, staff training and standard operation procedures development, implementation of international standards in phytosanitary area and development of new diagnostic methods which were approved and launched in 2007. The aim of the programme realisation is to determine and verify standard operation procedures which will be beneficial in many ways both in diagnosing as well as in preparation for the establishment of the National Reference Phytosanitary Laboratory. For these purposes, the amount of RSD 43,000,000 (€ 537,500) has been allocated from the budget.
- Implementation of the Programme for Special Supervision over harmful organisms: *Ralstonia solanacearum*, *Clavibacter*, *Globodera* and *Synchytrium* regarding potato, PPV for stone-fruit, and *Erwinia amylovora* for pip-fruit, together with monitoring of harmful organisms infesting the white sweet clover, beans, apple, strawberry and tomato. For these purposes, the amount of RSD 35,000,000 (€437,500) has been allocated from the budget for the year 2008.
- The onset of the realisation of CARDS 2005 Project - Institutional Capacity Building in the Plant Protection Directorate of the MAFWM.
- Putting together of new Rules on systematisation and organisation of work posts within MAFWM, which will raise the number of employees in the Directorate – Plant Health Department and Phytosanitary Inspection Department – and which will enable creation and application of by-laws based on the new Law on Plant Health.
- Continuation of the refinement of the command of foreign languages and computer skills of all Directorate personnel, which will sustain the development of the information system related to plant health.

3.12.3.3. Mid-term priorities

3.12.3.3.1. Legislation

Further harmonization of the national legislation with the EU *acquis*, i.e. the passing of new by-laws for the application of the Law on Plant Health, which will be in line with the following:

- Council Directive 69/465/EEC on control of Potato Wart Disease,
- Council Directive 69/465/EEC of on control of Potato Cyst Eelworm,
- Council Directive 93/85/EEC on the control of potato ring rot,

- Commission Directive 98/22/EC laying down the minimum conditions for carrying out plant health checks in the Community, at inspection posts other than those at the place of destination, of plants, plant products or other objects coming from third countries,
- Council Directive 98/57/EC on the control of *Ralstonia solanacearum* (Smith) Yabuuchi et al.,
- Commission Directive 92/70/EEC laying down detailed rules for surveys to be carried out for purposes of the recognition of protected zones in the Community,
- Commission Directive 2001/32/EC recognising protected zones exposed to particular plant health risks in the Community and repealing Directive 92/76/EEC,
- Commission Directive 93/51/EEC establishing rules for movements of certain plants, plant products or other objects through a protected zone, and for movements of such plants, plant products or other objects originating in and moving within such a protected zone,
- Commission Directive 94/3/EC establishing a procedure for the notification of interception of a consignment or a harmful organism from third countries and presenting an imminent phytosanitary danger,
- Commission Directive 2004/103/EC on identity and plant health checks of plants, plant products or other objects, listed in Part B of Annex V to Council Directive 2000/29/EC, which may be carried out at a place other than the point of entry into the Community or at a place close by and specifying the conditions related to these checks,
- Commission Directive 2004/105/EC determining the models of official phytosanitary certificates or phytosanitary certificates for re-export accompanying plants, plant products or other objects from third countries and listed in Council Directive 2000/29/EC,
- Commission Directive 93/17/EEC determining Community grades of basic seed potatoes, together with the conditions and designations applicable to such grades.

3.12.3.3.2. Institutions

- Implementation of CARDS 2005 Project – Institutional Capacity Building in the Plant Protection Directorate of the MAFWM, which envisages training for Plant Health Department personnel. Also, under this Project, the evaluation will be carried out on the level of harmonisation of the national legislation with the EU legislation.
- Setting up of the Reference Phytosanitary Laboratory in complex located in Batajnica, which was reconstructed and equipped under the Technical Assistance for Serbian Food Chain Safety Laboratories Project.
- Continuation of the programme and strengthening of regional laboratories, staff training and standard operation procedures development, implementation of international standards in phytosanitary area and development of new diagnostic methods which were approved and launched in 2007.
- Derogation of Directive of the Council 2000/29/EC regarding Annex III for potato (regarding *Clavibacter michiganensis fsp. sepedonicus*) and grapevine (*Flavescens doree*) regarding possibilities for the import of potato and grapevine planting material into the EU Member States.
- Realization of the programme for special supervision over the existence of harmful organisms in accordance with Directive 2000/29/E3.
- Filling of administration capacities with regard to the new Rules on systematization and organization of work posts in MAFWM.
- Continuation of the refinement of the command of foreign languages and computer skills of all Directorate personnel, which will sustain the development of the information system related to plant health.

3.12.3.4. Financial Needs

3.12.3.4.1. Budget

Activities	2008	2009	2010	2011	2012
Implementation of the Programme for Special Supervision	€ 437,500	€ 437,500			
Equipping of regional laboratories and standard operation procedures development	€ 537,500	€ 537,500			
Establishing the function of the National Reference Laboratory	-				
Professional development and staff training *	-	€ 60,000	€ 80,000	€ 80,000	€ 100,000

*Financial resources relate to a total amount of resources assigned to plant, seeds and planting material health and for plant protection products.

3.12.3.4.2. Foreign assistance

Under the project of Serbian Veterinary, Phytosanitary and Sanitary Inspection Services Reform 03/SER01/10/002 the border posts Horgos, Sid and Presevo have been reconstructed and equipped.

The programme regarding reconstruction and equipping of the Reference Veterinary, Phytosanitary and Sanitary Laboratories in the complex situated in Batajnica has been carried out as part of the Technical Assistance for Serbian Food Chain Safety Laboratories Project.

CARDS 2005 Project – Institutional Capacity Building within the Plant Protection Directorate of the MAFWM hasn't started yet. The Project is worth €1,000,000.

The programme for the establishment and operation of regional laboratories is, apart from its own budget resources, realized within the reconstruction of the system of food chain safety laboratories under the CARDS 2005 Project – Institutional Capacity Building of the Food Chain Laboratories Administration. The Project is worth €1,500,000.

3.12.3.5. The filling of the administration capacities

Plant Protection Directorate	Current capacities	Planned administration capacities				
		2008	2009	2010	2011	2012

Plant Health Department	10 (6 + 4)	12 (10 + 2)	14 (12 + 2)	16 (14 + 2)	18 (16 + 2)	20 (18 + 2)
Phytosanitary Inspection Department	71	71	74 (71 + 3)	77 (74 + 3)	79 (77 + 2)	81 (79 + 2)
TOTAL	81	83	88	93	97	101

Note: The existing and planned administration capacities relate both to plant health and seed and planting material.

3.12.3. Seed and planting material

In the field of seed and planting material, the Republic of Serbia is partially harmonized with the relevant EU legislation.

3.12.4.1. Current state of affairs

3.12.4.1.1. Legislative Framework

The field regarding seed and planting material (apart from health condition, which is regulated by legislation in the plant health sector) is regulated by the following laws:

- Law on planting material regarding fruits, grapevine and hop ('Official Gazette of the Republic of Serbia', No. 18/05),
 - Law on seed and planting material ('Official Gazette of the Republic of Serbia', No. 54/93, 67/93, 35/94, 43/94, 135/04, 18/05 and 101/05), which is applied with regard to its part dealing with roses,
 - Law on seed ('Official Gazette of the Republic of Serbia', No. 45/05).
- These laws lay down conditions, measures and procedures for the production, finalization, distribution, import and examination of seed and planting material. At the same time, these laws also define the process of recognizing the sorts of agricultural plants.

By-laws

- Regulation on recognizing mother plants, vine stocks and shrubs regarding fruit trees, grapevine and hop ('Official Gazette of the Republic of Serbia', No. 51/06)
- Rules on norms regarding quality, packaging, sealing and declaring agricultural plants intended for planting ('FRY Official Gazette', No. 45/75 and 26/79),
- Rules on the control of the production of agricultural plants intended for planting ('Official Gazette of the Republic of Serbia', No. 29/94), which is applied in its part related to roses,
- Rules on conditions which are to be met by the market point where planting material of fruit trees, grapevine and hop is being sold ('Official Gazette of the Republic of Serbia', No. 29/06),
- Rules on the content of registers and the manner in which producers of fruits grapevine and hop planting material keep their register books ('Official Gazette of the Republic of Serbia', No. 29/06),
- Rules on the way and procedure of the production of fruits, grapevine and hop planting material keep their register ('Official Gazette of the Republic of Serbia', No. 40/06 and 58/06),

- Rules on the quality of seed of agricultural plants ('FRY Official Gazette', No. 47/87, 60/87, 55/88, 81/89 and 'Official Gazette of the Republic of Serbia', No. 16/92, 8/93, 21/93, 30/94, 43/96, 10/89, 15/01, 58/02),
- Rules on the control of seed production, and on the content and manner in which the register book regarding production of agricultural plants planting material is kept and on report template on production of mycelia of edible and medicinal fungi ('Official Gazette of the Republic of Serbia', No. 60/06),
- Rules on the content of and manner in which producers of seed, nursery plants regarding mycelia of commercial and medicinal fungi keep their register books ('Official Gazette of the Republic of Serbia', No. 51/06),
- Rules on the content of and manner in which registers are kept by the finalizers of seed, on registering seed, disposal of seed residue and on notification of the amount of seed produced ('Official Gazette of the Republic of Serbia', No. 59/06),
- Rules on more immediate conditions to be met by the expert organization issuing labels, as well as on the size of single seed packs and the entering of the issued labels into the register ('Official Gazette of the Republic of Serbia', No. 66/06 и 73/06).

Strategic documents

Strategic documents defining the policy and development in these areas:

- International Plant Protection Convention,
- Strategy for the Development of Agriculture of the Republic of Serbia,
- Integrated Border Management Strategy,
- National Strategy for Serbia and Montenegro's Accession to the EU,
- Resolution on EU accession (from October 13, 2004),
- Decision on setting up the coordination body for EU accession (October 2007),
- The EU Commission Serbia 2007 Progress Report,
- The Stabilization and Association Agreement of the Republic of Serbia,
- Memorandum of understanding of food chain safety laboratories reform from 2002 and the Annex from 2003.

3.12.4.1.2. Institutional Framework

Apart from plant health and plant protection products and fertilizers, the Plant Protection Directorate is also responsible for the implementation of the policy in the field of seed and planting material, other than the part dealing with recognition and protection of sorts of agricultural plants.

The number of employees working in the field of seed and planting material:

- 2 executives at the Central Office of the Directorate in the Plant Protection and Plant Quarantine Department,
- 4 inspectors at the Central Office of the Directorate responsible for quality assurance, who also perform tasks in the area of plant protection, seed and planting material, plant protection products and fertilizers,
- 71 phytosanitary inspectors – internal phytosanitary inspectors, who are deployed over 6 regional units and 34 border phytosanitary inspectors, working at 6 border posts (overall 105 phytosanitary inspectors) who, apart from activities in the area seed and planting material, work on tasks related to plant health, plant protection products, fertilizers and control of the production of genetically modified organisms.

Testing of the seed quality before its market distribution is carried out by the laboratories which have been accredited by the national accreditation body. Samples for testing seed quality are taken by the accredited laboratories, while phytosanitary inspectors perform the examination of the quality of seed which is being distributed. Agricultural units and institutions, deployed across regions (that perform tasks in the plant health sector), carry out activities regarding the procedure for the certification of seed and planting material.

Printing of labels for seed and planting material – which is regulated by laws – is centralized and done by the organization which is authorized by the Ministry of Agriculture, Forestry and Water Management.

3.1.4.2. Short-term Priorities

3.1.4.2.1. Legislation

In the field of plant production, i.e. in the field of seed and planting material quality assurance, short-term priorities in the field of seed and planting material relate to the harmonization of the legislation with the EU *acquis*:

- Passing of by-laws for the application of the Law on seed and Law on fruits, grapevine and hop planting material. Regulations relate to the norms of quality necessary for the distribution of seed and planting material of agricultural plants.
- Given that the new Law on fruit trees, grapevine and hop planting material doesn't include the planting material of roses and other ornamental plants, there is a plan to pass a new law on ornamental plants reproduction material as part of activities carried out by the Forestry Direction in cooperation with the Plant Protection Directorate.

3.1.4.2.2. Institutions

- Establishment of the Reference laboratory for seed and planting material within the complex located in Batajnica, which has been reconstructed and equipped as part of the Technical Assistance for Serbian Food Chain Safety Laboratories Project,
- Continuation of the establishment of the information system comprising production, distribution and import of seed and planting material with a view to bring together organizational units of Plant Protection Directorate, Forestry Directive and Sorts Recognition Department.
- Putting together the Rules on systematization and organization of work posts in MAFWM, which will raise the number of employees in the Directorate – Plant Protection Department (or form separate Units/Divisions for seed and planting material) and Phytosanitary Inspection Department.
- Continuation of the refinement of the command of foreign languages and computer skills of all Directorate personnel, which will sustain the development of the information system regarding seed and planting material.

3.12.4.3. Mid-term priorities

3.12.4.3.1. Legislation

Harmonizing regulations with the EU *acquis communautaire* – the formulation process of bylaws which will fully harmonize the national legislation with the relevant EU regulations in the field of seed and planting material will be continued.

3.12.4.3.2. Institutions

Strengthening institutional framework – most activities will be directed to the harmonization of the operation of all organizational units within the Ministry of Agriculture, Forestry and Water Management which are responsible for this field, such as:

- Founding Reference laboratory for seed and planting material within Batajnica complex which has been reconstructed and equipped within the Technical Assistance for Serbian Food Chain Safety Laboratories Project.
- Establishing information system which includes production, placing on the market and import of seed and planting material.
- Filling administration capacities in line with the new Rules on systematization and organization of working places in the MAFWM.
- Further foreign languages and computer training for the staff in the Directorate, which will back up the development of information system in the field of seed and planting material.

Undefined status of reproductive and planting material for horticultural trees and bushes

The existing Law on reproductive material of forest trees and bushes stipulates only the obligation of registering nursery-gardens in the Forest Directorate, while the health condition of these plants, which is under supervision of this Directorate and Plant Protection Directorate, is defined by regulations in the field of plant protection. Flower production monitoring is within the competence of Plant Protection Directorate. However, other regulations in this field pertaining to the production and sale of reproductive and planting material for horticultural trees and bushes have not been enacted for the very reason that the Law on Ministries does not define these tasks as the competence of the Forest Directorate.

On the initiative of the Association of Landscape Architecture and Horticulture within the Forest Directorate, the Draft law on reproductive and planting material for horticultural trees and bushes was designed, but before the Draft law undergoes the enacting procedure, it is necessary to clearly define which government body is competent in this field.

3.12.4.4. Financial needs

3.1.2.4.4.1. Budget

Activities	2008	2009	2010	2011	2012
Professional development and staff training*	-	60,000 €	80,000 €	80,000 €	100,000 €

*Financial means refer to total means allocated to plant health, seed and planting material and plant protection products.

3.12.4.4.2. Foreign assistance

All implemented projects financed by the EU in the previous period (CARDS 2001-2006) dealing with reforms, strengthening and equipping of the MAFWM did not refer directly to seed and planting material.

The following projects dealing with seed and planting material and primarily pertaining to plant control in internal trade or cross-border trade were realized: Reform of the Serbian Veterinary, Phytosanitary and Sanitary Inspection Services 03/SER01/10/002, within which Horgos, Sid and Presevo border crossings were reconstructed and equipped; trainings of phytosanitary inspectors were organized; programme of reconstructing and equipping Reference veterinary, phytosanitary and sanitary laboratories within Batajnica complex was implemented (Technical Assistance for Serbian Food Chain Safety Laboratories Project 02SER01/06/021).

3.12.4.5. Filling administration capacities

Institutionally, organizational units of the Ministry responsible for the control of seeds, planting material and plant health are linked within the Plant Health Department and Phytosanitary Inspection Department. Please refer to Table in Chapter 3.12.3. – Plant health – for information about filling administration capacities.

3.12.5. PLANT PROTECTION PRODUCTS AND RESIDUES

In the field of plant protection products, the regulations of Republic of Serbia are not harmonized with the relevant EU regulations.

3.12.5.1. Current state

The field of plant protection products (PPP) and residues is regulated by regulations whose implementation is within the competence of three ministries: Ministry of Agriculture, Forestry and Water Management (MAFWM) - Forest Directorate, Ministry of Environmental Protection (MEP) and Ministry of Health (MH).

However, within the current framework, the system of registration, post-registration control (PPP formulation and PPP residues) as well as the control of production and trade in PPP is not compatible with the system established not only in the EU but in other countries of the world as well. The main reasons for this are:

- numerous regulations covering the field of PPP, implemented by the three ministries,
- frequent changes in the system of government administration and overlapping of competences of the ministries,
- discontinuity in decision-making process,
- unclear division of competences between government bodies responsible for this field,
- inadequate cooperation within the ministries and among the ministries,
- inadequate and obsolete regulations,
- insufficient number of employees in all government bodies dealing with the field of PPP.

Post-registration control system, i.e. monitoring PPP residues in food, has not been fully established, due to the fact that there is a “conflict of competences” with the MH related both to the registration process and post-registration procedure. Namely, the Law on Sanitary Proprieties of the Victuals and Objects of General Use (Article 5 and 20-23) stipulates conditions and measures for PPP residues in food.

In practice, none of the above-mentioned government bodies does not fully implement the procedure for setting the maximum level of residues in the registration procedure of PPP in food of plant origin or a systematic control over food of plant origin with respect to PPP residues (post-registration control - *surveillance monitoring and enforcement- follow up monitoring*).

In the 1990s the MH was responsible for chemicals as well (Law on production and trade of poisonous matters) and consequently for determining PPP residues in food through the operation of the Commission for maximally allowed levels of harmful matters in food. The disintegration of the former Yugoslavia and the re-organization of government administration both on federal and republic level made the system of determining PPP residues in food completely rudimentary. So:

- officially determined maximally allowed amounts of residues of pesticides in food of plant origin do not reflect current state of registered PPP (regulations from 1992),
- procedure for determining maximally allowed amounts of PPP residues in food of plant origin is not clearly defined, i.e. for all newly registered pesticides after 1992 there are only temporary maximally allowed amounts of PPP residues in food of plant origin proposed by the Commission for poisons of the MEP and Commission for plant protection products of the MAFWM as advisory bodies.

From March 2005 to the end of 2007, the Plant Protection Directorate implemented the National programme for exclusion of active substances that are not used in the EU. This programme covers those PPP that contain active substances which are subject to the Decision on exclusion from the Annex I to the Directive of the European Parliament and of the Council No. 91/414/EEC of July 15, 1991 on placing plant protection products on the market.

In accordance with this programme, 27 active substances which are subject to the Decision on exclusion from Annex I (Decision until November 2004) were considered and each substance was allocated either its essential use until certain time (because of the lack of alternative pesticides or until the depletion of supplies) or limited duration of the decision on placing on the market (until 31.12.2007).

The programme was implemented with the aim of eliminating obstacles to the export of agricultural products and reducing import (dislocation from other markets) and creating supplies of these pesticides which would later present a realistic problem with respect to their storage, disposal and/or removal.

Within the project Education and licencing of agricultural manufacturers for the application of pesticides 2006-2008, the manual for training was designed (consisting of 13 fields which apart from control of harmful organisms cover formulation, handling, personal protective measures, human health, environment, pesticide wastage and legal regulation), presentations and questions for checking knowledge were prepared for trainings, and two trainings were held for plant protection experts from 34 agricultural stations and institutes that will be the programme implementers. The USA Ministry of Agriculture provided means for the realization of some activities within this project (design and printing of the manual and training for facilitators). The project documentation was prepared within IPA 2008 “Harmonizing national regulations in the field of registration, trade and control of pesticides with the EU regulations and their applications”.

3.12.5.1.1. Legal framework

Regulations and competences of the MAFWM

- Law on Plant Protection (“Official Gazette of the FRY”, No. 24/98 and 26/98, ‘Official Gazette of the Republic of Serbia’, No. 101/05-the other law),

- Law on Plant Protection against Diseases and Pests (“Official Gazette of the RS”, 14/98, 6/6/89, 53/93, 67/93, 48/94 and 101/05-the other law).
- Rules on pesticides testing (“Official Gazette of the Republic of Serbia” No. 63/2000 and 65/2000 and “Official Gazette of the FRY” No. 93/2005),
- Rules on the production line for pesticides” (“Official Gazette of the FRY”, No. 68/2001),
- Rules on sale, import and sampling of pesticides (“Official Gazette of the FRY”, No. 59/2001 and “Official Gazette of the RS”, No. 104/2005),
- List of small nursery and newly planted plants (“Official Gazette of the FRY”, No. 24/2003),
- Rules on the types of packaging for pesticides and fertilizers and on destroying pesticides and fertilizers (“Official Gazette of the FRY”, No. 35/99),
- Rules on conditions for disinfection, disinsectization and deratization in the field of plant and plant products protection (“Official Gazette of the FRY”, No. 12/99),
- Regulation on forecasting and reporting in the plant protection sector (“Official Gazette of the FRY”, No. 65/99)

Regulations and competences of the MEP:

- Law on production and sale of poisonous matters (“Official Gazette of the FRY”, No. 15/95),
- Decision on conditions that must be met by corporations and enterprisers dealing with production, sale and control of poisons (“Official Gazette of the FRY”, No. 38/96).
- Decision on labelling poisons on the market (“Official Gazette of the FRY”, No. 38/97),
- Rules on criteria for classification of poisons in groups and methods for determining the toxicity degree of certain poisons (“Official Gazette of the FRY”, No.79/91),
- Rules on destroying unused poisons and packaging and on withdrawal of poisons from the market (“Official Gazette of the SFRY”, No. 7/83).

Regulations and competences of the MH:

- Law on Sanitary Proprieties of the Victuals and Objects of General Use (“Official Gazette of the FRY”, No. 53/91, 24/94, 28/96 and 37/2002, “Official Gazette of the RS”, No. 79/2005 and 101/2005 – other law),
- Rules on the amounts of pesticides, metals and metalloids and other poisonous substances, chemotherapeutics, anabolics and other substances that can be found in food (“Official Gazette of the FRY”, No. 5/92).

Strategic documents:

- Standards of the European and Mediterranean Plant Protection Organization,
- Strategy for the Development of Agriculture of the Republic of Serbia,
- Integrated Border Management Strategy,
- National Strategy for Serbia and Montenegro’s Accession to the EU,
- Resolution on EU Accession (from October 13, 2004),
- Decision on setting up of the coordination body for EU accession process (October 2007),
- The EU Commission Serbia 2007 Progress Report
- The Stabilization and Association Agreement of the Republic of Serbia,
- Memorandum of understanding of food chain safety laboratories reform from 2002 and the Annex from 2003.

3.12.5.1.2. Institutional framework

In the field of PPP, the Plant Protection Directorate of the MAFWM is responsible for

- registration, more precisely issuing decisions on placing PPP on the market,
- issuing approvals for import of active substances and PPP,
- control of the trade in active substances and PPP over the national borders (post-registration control),
- control of wholesale and retail trade in PPP – internal trade (post-registration control),
- control of PPP production lines of national manufacturers,
- control of PPP application by end users – post-registration control (this control system has not been fully established),
- control of service providers in the field of PPP,
- authorizing and controlling laboratories for PPP testing during the registration procedure and post-registration control,
- systematic control of the extent and scope of food and land pollution caused by PPP (post-registration control).

The current number of employees in the Plant Protection Directorate dealing with PPP is the following:

- 6 posts at the central office of the Directorate in the Plant Health Department,
- 4 inspectors at the central office of the Directorate who are responsible for the quality of work and who also work in the sector dealing with plant, seed and planting material health and the use of plant protection products and fertilizers,
- 71 phytosanitary inspectors – internal phytosanitary inspectors, who are deployed in six regional units and 34 border phytosanitary inspectors, working at six different border posts (altogether 105 phytosanitary inspectors) who apart from activities in the field of PPP, do jobs related to fertilizers, plant, seeds and planting material health and the production control of genetically modified organisms.

In the field of PPP, the MEP is responsible for:

- PPP classification and labelling,
- permits for transport of active substances and PPP,
- control of PPP production and wholesale trade,
- pesticide wastage (PPP remnant amounts and PPP packaging).

In the field of PPP, the MH is responsible for:

- determining maximally allowed amounts of harmful matters in food and consequently of PPP residues,
- organization of systematic control of the level of harmful substances, and consequently PPP residues that may be found in food (annually 15 food samples from production and the market per one thousand people),
- authorizing and controlling laboratories for testing the levels of harmful substances, and consequently PPP residues that may be found in food.

3.12.5.2. Short-term priorities

3.12.5.2.1. Legislation

In accordance with short-term priorities stated in the European Partnership and the EU Commission Serbia 2007 Progress Report, the short-term priorities in the field of plant protection products are further harmonization of regulations with the EU *acquis* – formulation of Draft law on plant

production products which will be harmonized with the Directive of the European Council 91/414/EEC concerning the placing of plant protection products on the market.

3.12.5.2.2. Institutions

- The training of the first 500 agricultural manufacturers within Education programme for PPP application is planned for the period October-November 2008. The programme will be implemented on regional levels covered by 34 agricultural stations and institutes. The programme will have the same dynamics in 2009 as well. Financial means of RSD 20,000,000 (EUR 250,000) have been planned and allocated to these purposes from the 2008 budget. The aim of this programme is to gradually introduce the system of “qualified people” and their licencing in the field of PPP that will include not only agricultural manufacturers but also people providing PPP-related services or dealing with PPP sale.
- In line with Article 60 of the existing Law on Plant Protection, the data gathering programme on PPP sale in registered retail stores will be implemented through the involvement of 34 agricultural stations and institutes at regional level. This programme is an introduction to the establishment of data gathering system for creating and applying regulations, strategic documents and action plans referring to the monitoring of PPP-caused environmental risks (sustainable PPP application). Except for Plant Protection Directorate, the development and establishment of this system should also be supported by the MEP, MH and the Statistical Office of the Republic of Serbia. To this end, 20,000,000 or EUR 250,000 have been planned and allocated in 2008.
- Adoption of the new Rules on systematization and organization of working posts in the MAFWM which will increase the number of employees in the Directorate – Department for plant protection products and plant nutrients and Phytosanitary Inspection Department – and enable the formulation and implementation of regulations in the field of PPP.
- Further foreign languages and computer training of the Directorate staff, which will help support the development of PPP-related information system.

3.12.5.3. Mid-term priorities

3.12.5.2.1. Legislation

- Adoption of the Draft law on plant protection products which will be harmonized with the Directive of the European Council 91/414/EEC concerning the placing of plant protection products on the market.

Formulation and adoption of by-laws on the basis of the new Law on plant protection products and in line with Annexes I-VI to Council Directive 91/414/EEC and Decision of the European Commission that prohibit the sale of certain active substances for PPP, such as (working titles): Rules on PPP registration procedure, Rules on fees in PPP registration procedure, Order on prohibition of sale and application of PPP containing certain active substances, Rules on documentation for PPP assessing, Rules on unique principles for PPP assessment and registration, Rules on PPP sale, Rules on PPP labelling, Rules on PPP assessors, Rules on the makeup and manner of work of the Commission for PPP, etc.

Formulation and adoption of by-laws on the basis of the new Law on plant protection products that refer to PPP residues in accordance with the relevant EU regulations, such as Regulation of the European Parliament and of the Council 396/2005 on maximum residue levels of PPP in or on food and feed of plant or animal origin (repealing the Council Directive 91/414/EEC and amending the Council Directive 76/895/EEC, 86/362/EEC, 86/363 and 90/642 that refer to the fixing of the maximum levels of pesticide

residues in and on fruit and vegetables, cereals and certain products of plant origin including fruit and vegetables) and the relevant regulations referring to sampling methods for official controls of PPP residues in products of plant or animal origin (Directive of the European Commission 2002/63/EC repealing Directive 79/700/EEC).

Formulation of by-laws on the basis of the new Law on plant protection products that refer to border crossings over which PPP may be imported, certification of machines and instruments for PPP application, obligations of PPP applicators, qualification and licencing in the field of PPP, entry into and removal from registry books of corporations and enterprisers dealing with retail and wholesale trade in PPP, conditions that corporations and enterprises must meet for PPP sale, PPP supplies which expired, data gathering on PPP sale and application etc.

Harmonization plan for the mid-term period (important regulations)

Act (working titles)	Responsible institution	Grounds for adoption	EU <i>acquis</i> it is harmonized with	Draft formulation	Submission of the draft to adoption procedure	Adoption
Law on Plant Protection Products	MAFWM – Plant Protection Directorate	Article 90 and 97 of the Constitution of the Republic of Serbia	Council Directive 91/414/EEC and its amendments	Fourth quarter of 2008	Third quarter of 2009	First quarter of 2010
Rules on the list of active substances in plant protection products	MAFWM – Plant Protection Directorate	Adopted Law on Plant Production Products	Annex I to the Council Directive 91/414/EEC and its Decisions of the European Commission	Second quarter of 2010	Third quarter of 2010	Fourth quarter of 2010
Rules on prohibition of sale and application of plant protection products containing certain active substances	MAFWM – Plant Protection Directorate	Adopted Law on Plant Production Products	Council Directive 79/117/EEC and its amendments	Second quarter of 2010	Third quarter of 2010	Fourth quarter of 2010
Rules on qualification and licencing in the field of PPP	MAFWM – Plant Protection Directorate	Adopted Law on Plant Production Products	Annex II to the Council Directive 91/414/EEC	Second quarter of 2010	Third quarter of 2010	Fourth quarter of 2010
Rules on documentation for assessing	MAFWM – Plant Protection	Adopted Law on Plant	Annex II to the Council Directive	Third quarter of 2010	First quarter of 2011	Third quarter of 2011

active substances	Directorate	Production Products	91/414/EEC			
Rules on documentation for assessing plant protection products	MAFWM – Plant Protection Directorate	Adopted Law on Plant Production Products	Annex III to the Council Directive 91/414/EEC and its amendments	Third quarter of 2010	First quarter of 2011	Third quarter of 2011
Rules on unique principles for assessing active substances and plant protection products	MAFWM – Plant Protection Directorate	Adopted Law on Plant Production Products	Annex VI to the Council Directive 91/414/EEC	Third quarter of 2010	First quarter of 2011	Third quarter of 2011
Rules on labelling plant protection products	MAFWM – Plant Protection Directorate	Adopted Law on Plant Production Products	Annex VI to the Council Directive 91/414/EEC and amendments thereof	Fourth quarter of 2010	Second quarter of 2011	Fourth quarter of 2011
Rules on maximum residue levels of pesticides in food of plant origin	MAFWM – Plant Protection Directorate	Adopted Law on Plant Production Products	Council Directive 76/895/EEC, 86/362/EEC, 86/363 and 90/642 and its amendments	First quarter of 2012	Third quarter of 2012	Fourth quarter of 2012

3.12.5.2.2. Institutions

- Within the project IPA 2008 “Harmonizing national regulations referring to registration, sale and control of pesticides with the EU regulations and their application” the following activities are planned: selection of national institutions which will support the system of pesticides registration (assessors) and post-registration control; assistance in formulation and assessment of the level to which laws and by-laws are harmonized with the EU *acquis* and especially regulations on PPP residues; strengthening administration capacities of the MAFWM and the selected institutions that will support PPP registration procedure and post-registration control. Assistance will also be provided in the preparation of PPP post-registration control programme and the monitoring of PPP residues in food of plant origin. The formulation of the proposal/plan for establishing an information system on PPP and PPP residues is one of the most important activities.

- The continuation of the Education programme for the application of PPP and data gathering on PPP sale and application, which will be fully established by the new Law on PPP, i.e. by-laws stemming from it.
- Establishing the Reference laboratory for post-registration control and PPP residues within Batajnica complex, which has been reconstructed and equipped within Technical Assistance for Serbian Food Chain Safety Laboratories Project and accreditation activities of all laboratories dealing with PPP in line with ISO 17025.
- Establishing an information system with the aim of networking and collecting information among organizational units within Plant Protection Directorate, MEP and Statistical Office of the Republic of Serbia which relates to PPP production, sale and application with the intention of initiating monitoring of PPP-caused environmental risks.
- Strengthening administration capacities – employing experts in certain fields (for registration procedure coordination, toxicological characteristics and residues, PPP ecotoxicological characteristics and behaviour in the environment, PPP physical and chemical characteristics, machines and instruments for PPP application) both in the Department for plant protection products and plant nutrients and in the selected institutions which will unreservedly support the system of PPP sale and control established by the new national regulations. Recruiting of new staff is planned to take place in the Phytosanitary Inspection Department as well. The professional development of the staff will be enabled through the implementation of the project IPA 2008 “Harmonizing national regulations referring to registration, sale and control of pesticides with the EU regulations and their application” as well as learning foreign languages and acquiring computer skills.

3.12.5.4. Financial needs

Activities	2008		2009	
	Amount	Source of financing	Amount	Source of financing
Training for PPP application	250,000 €	Provided from the Plant Protection Directorate budget	250,000 €	Planned in the Directorate budget for 2009
Data gathering on PPP trade	250,000 €		250,000 €	
Establishing National reference post-registration laboratory	-	-	?	
Professional development staff training	?	Provided from the MAFWM budget	60,000 €	

Activities	2010	2011	2012	Source of financing
Data gathering on PPP sale	250,000	250,000	250,000	Budget
Establishing National reference post-registration laboratory	-	?	?	?

Professional development and staff training*	80,000	80,000	100,000	Budget and IPA 2008
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*Financial means refer to the overall means allocated for the health of plants, seeds and planting material and plant production products.

Foreign assistance

All implemented projects financed by the EU in the previous period (CARDS 2001-2006) dealing with reforms, strengthening and equipping of the MAFWM did not refer directly to seed and planting material.

The project documentation for the project within IPA 2008 “Harmonizing national regulations referring to registration, sale and control of pesticides with the EU regulations and their application” has been prepared. The selection procedure is now under way and this project is on the preliminary list of the selected project proposals for IPA 2008. The project activities refer to the assistance in harmonizing and implementing new regulations of the Republic of Serbia in line with the *acquis communautaire*, strengthening administration capacities and training of the staff in the Department for plant protection products and plant nutrients, experts from the selected national institutions and the Department for phytosanitary inspection for the EU procedures application. The project is worth EUR 1,500,000.

3.12.5.5. Filling administration capacities

Plant Protection Directorate	Current capacities	Planned administration capacities				
		2008	2009	2010	2011	2012
Plant Health Department	6	-	10 (6 + 4)	14 (10 + 4)	18 (14 + 4)	22 (18 + 4)
Phytosanitary Inspection Department*	71	73 (71 + 2)	76 (73 + 3)	79 (76 + 3)	82 (79 + 3)	85 (82 + 3)
TOTAL	77	79	86	93	100	107

*Increase in the number of inspectors refers only to the inspectors whose activities will be focused solely to PPP (not the number of inspectors within the planned administration capacities in the field of health of plants, seeds and planting material).

3.12.4 Veterinary policy

3.12.2.1 State of play

Serbian regulations in the area of veterinary policy are partly aligned with the EU ones.

3.12.2.1.1.1 Legislative framework

Laws:

- The Law on Veterinary Practice (RS Official Gazette 91/2005). New veterinary law is being drafted and it will be harmonized with Chapter 12 (food safety, veterinary practice and phytosanitary policy) in Section 1, 2, 3 and 5.

- The Law on Medicines and Medical Accessories (RS Official Gazette 84/04; harmonized with the EC Directive 2001/82 on veterinary medicines)

By-laws: enclosed.

3.12.1.1.2 Institutional framework

The Veterinary Directorate of the Ministry of Agriculture, Forestry and Water Management is competent for animal health protection and welfare; veterinary and sanitary control of animals and of products, raw materials and residues of animal origin, of semen of artificial insemination, inseminated eggs, embryos and other organisms and items that can communicate an infectious disease, animal feed and components for animal feed production; registration and control of work in establishment producing food of animal origin (slaughter houses, dairy plants, etc.); control of establishments producing animal feed and harmless rendering of carcasses and residues of animal origin, as well as processing establishments; control of production and trade in medicines and medical accessories for use in veterinary medicine; establishing veterinary and sanitary conditions in plants producing and retail trade in medicines; setting conditions for veterinary practice.

3.12.1.2 Short-term priorities

In accordance with the European Partnership and the European Commission Progress Report for 2007, short-term priorities in veterinary area refer to harmonization in the following areas:

1.) Animal welfare – Adoption of the Law on Animal Welfare, aligned to the following EU regulations:

- Farm Animals' Protection – The Council Directive 98/58 on protection of animals bred for the purposes of production.
- The Commission's Decision 2000/50 on minimal conditions for inspection controls of homesteads where animals are bred for production.
- Bovine Welfare on Farms – The Council Directive 91/629 on minimal standards for calf protection; The Council Directive 92/2, amendment to the Council Directive 91/629 on minimal standards for calf protection; the Commission's Decision 97/182, amendment to the Council's Annex 91/629 on minimal standards for calf protection.
- Swine Welfare on Farms – the Council's Directive 91/630 on minimal standards for swine protection. The Council's Directive 2001/88 from 23 October 2001, amendment to Directive 91/630 on minimal standards for swine protection; the Commission's Directive 2001/93, amendment to Directive 91/630 on minimal standards for swine protection.
- Lay Hens' Welfare – the Council Directive 1999/74 on minimal standards for protection of lay hens; the Commission's Directive 2002/4 from 30 January 2002 on registration of establishments keeping lay hens, covered by the Council Directive 1999/74.
- Protection of animals at slaughter or killing – the Council Directive 88/306 on finalizing the European Convention on Protection of Animals for Slaughter; the Council Directive 93/119 from 22 December 1993 on protection of animals at the time of slaughter or killing.
- Protection of animals in transport – the Council Decree 1/2005 on protection of animals in transport an amendment to the Directive 64/432 and 93/119 and Decree 1255/97; the Council Directive 91/628 on protection of animals in transport and amendment to the Directive 90/425 and 91/496; the Council Directive 95/29, amendment to Directive 91/628, which refers to protection of animals in transport; the Council Decree 1255/97 on minimal standards of the European Community to be met at resting places and amended route plan stated in annex to

Directive 91/628; the Council Decree 411/98 on additional standards of animal protection in transport to be met by road vehicles for animal transport on journeys longer than 8 hours; the Council Decree 1040/2003, amendment to Decree 1255/97 referring to resting places.

- Protection of experiment animals – the Council Directive 86/609 on assessment of laws, decrees and administrative actions of member states, pertaining to protection of animals used in experiments and other scientific purposes. The European Parliament and Council Directive 2003/65 from 22 July 2003, amendment to the Council Directive 86/609 on assessment of laws, decrees and administrative actions of the member states, pertaining to protection of animals used in experiments and other scientific purposes; the Council Decision 2003/584 from 22 July 2003, pertaining to the conclusion of Amendment Protocol of the European Convention on Protection of Vertebrates Used in Experimental and other Scientific Purposes.
- Protection of Wild Animals in Captivity – the Council Decision 1999/22 pertaining to keeping wild animals in zoo parks.
- Harmonization with specific European conventions:
- Protection of farm animals – the European Convention *ETS 087* on protection of farm animals.
- Animal welfare in transport – the European Convention *ETS 065* on protection of animals in international transport (revised).
- Protection of animals at slaughter – the European Convention *ETS 102* on protection of farm animals.
- Protection of experiment animals – the European Convention *ETS 123* on protection of animals used for experimental and other scientific purposes.
- Protection of pet animals – the European Convention *ETS 125* on protection of pets.
- After adoption of the laws it is planned to adopt a whole range of by-laws to continue with harmonization with the EU regulations Adoption of the following regulations is planned:
- The Rulebook on Animal Welfare on Farms (the Council Directive 98/58 on protection of animals bred for production; the Commission's Decision 2000/50 on minimal conditions for inspection controls of homesteads where animals are bred for production; the Council Directive 91/629 on minimal standards for calf protection; the Council Directive 92/2, amendment to the Council Directive 91/629 on minimal standards for calf protection; the Commission's Decision 97/182, amendment to the Council Annex 91/629 on minimal standards for calf protection; the Council Directive 91/630 on minimal standards for swine protection; the Council Directive 2001/88, amendment to Directive 91/630 on amendments for swine protection; the Commission's Directive 2001/93, amendment to the Directive 91/630 on minimal standards for swine protection; the Council Directive 1999/74 on minimal standards for protection of lay hens; the Commission's Directive 2002/4 on registration of establishments keeping lay hens, covered by the Council Decree 1999/74),
- The Rulebook on Animal Welfare at Slaughter or Killing for Disease Control (the Council Decision 88/306 on concluding the European Convention on Protection of Animals for Slaughter; the Council Directive 93/119 on protection of animals at slaughter or killing).
- The Rulebook on Animal Welfare in Transport (the Council Decree 1/2005 on protection of animals in transport and amendment to Directive 64/432 and 93/119 and Decree 1255/97; the Council Directive 91/628 from 19 November 1991 on animal protection in transport and amendment to Directive 90/425 and 91/496; the Council Directive 95/29, amendment to Directive 91/628, pertaining to animal protection in transport; the Council Decree 1255/97 from 25 June 1997 on minimal standards of the European Community to be met by resting places and amended route plan stated in the annex to Directive 91/628; the Council Decree 411/98 on additional standards of animal protection to be met by road vehicles for animal transport longer than 8 hours; the Council Decree 1040/2003, amendment to the EC Decree 1255/97 pertaining to resting places),

- The Rulebook on control points (the Council Decree 1/2005 on animal protection in transport and amendment to Directive 64/432 and 93/119 and Decree 1255/97; the Council Decree 1255/97 on minimal standards of the European Community to be met by resting places and amended route plan stated in annex of Directive 91/628; the Council Decree 1040/2003, amendment to Decree 1255/97 pertaining to resting places;
- The Rulebook on Welfare of Animals for Experiments and Other Scientific Purposes (the Council Directive 86/609 from 24 November 1986 on assessment of laws, decrees and administrative actions of member states, pertaining to protection of animals for experimental and other scientific purposes; The European Parliament and Council Directive 2003/65 from 22 July 2003, amendment to the Council Directive 86/609 on assessment of laws, decrees and administrative actions of member states, pertaining to protection of animals used for experimental and other scientific purposes; the Council Decree 2003/584 pertaining to the conclusion of Protocol of the Amendment to the European Convention on Protection of Vertebrates Used for Experimental and Other Scientific Purposes).
- -The Rulebook on Animal Welfare in Zoo Parks (the Council Directive 1999/22, pertaining to keeping wild animals in zoos).
- The Rulebook on animal asylums (the European Convention *ETS* 125 on protection of pets; recommendations of *DEFRA* (**Department for Environment, Food and Rural Affairs**), *HSUS* (*Human Society of the US*), *USDA* (**United States Department of Agriculture**), *FVE* (the European Veterinary Federation).
- The Rulebook on Hazardous Animals_(recommendations of *DEFRA*, *HSUS*, *USDA*, *FVE*)

2. Protection of animal health from various infectious diseases:

- -The Rulebook on Control and Eradication of Classical Swine Fever in draft) of the Council Directive 2001/89/EC and 80/1095/EEC)
- -The Rulebook on Labelling and Registration of Cows (in draft) and on Labelling Beef and Bovine Products(The Council Decree 1760/2000, the Council Decree 64/432, 911/2004, 1082/2003, 499/2004, 96/23, 820/97)
- The Rulebook on Sanitary Conditions to be Met by Swine and Cows to be Released for Trade – the Council Directive 64/432
- -The Rulebook on Certification of Animals and Homesteads Free from Brucellosis, Tuberculosis and Enzootic Leucosis of Cows (in draft, the Council Directive 64/432)
- The Rulebook on Control and Eradication of Brucellosis (in draft, the Council Directive **77/391**, 78/52, 82/400)
- The Rulebook on Control and Eradication of Cow Tuberculosis (in draft, The Council Directive **77/391**, 78/52, 82/400)
- The Rulebook on Control and Eradication of Enzootic Leucosis of Cows (in draft, the Council Directive **77/391**, 78/52, 82/400)
- The Rulebook on Control and Eradication of Avian Influenza (being drafted, the Commission's Decision 2005/464/EEC)
- The Rulebook on Control and Eradication of Newcastle Disease(in draft, the Council Directive 92/66/EEC),
- The Rulebook on Control and Eradication of Blue Tongue Disease (drafted, the Commission Decree EC 1266/2007 and the Council Directive 2000/75/EC)
- The Rulebook on Control and Eradication of Foot and Mouth Disease (pending for adoption, the Council Directives 90/423/EEC and 2003/85/EC,
- The Rulebook on Control and Eradication of Vesicular Disease, the Council Directive 92/119
- The Rulebook on Control and Eradication of African Swine Fever, the Council Directive 92/35

- The Rulebook on Labelling and Registration of Swine, the Council Directive 64/432, 92/102, 2000/678, 96/23)
- The Rulebook on Labelling and Registration of Sheep and Goats, the Council Decree 21/2004, 92/102, 1560/2007, 96/23,
- The Strategy of Health Protection (draft completed, in accordance with the Law on Veterinary Practice, Article 50)
- Amendments to the Rulebook on Rabies, in accordance with the Law on Veterinary Practice,
- -Action Plan on getting the status of a country free from infectious diseases by priorities that enable unimpeded export (OIE and the European Parliament and council Directive 2003/99/EC).

3. Harmonization of export certificates with the EU regulations on products of animal origin and livestock, as well as defining conditions for import into RS, according to:

- The Commission Decree 599/2004, the Council Directive 2002/99, the Council Directive 64/432, the Commission's Decision 2007/240/EC, the Commission's Decision 2003/804/EC, the Commission's Decision 2003/858, the Commission's Decision 2006/168, the Commission's Decision 2004/639, the Commission's Decision 2002/613, the Council Directive 90/426, the Commission's Decision 96/539, the Commission's Decision 96/540, the Commission's Decision 92/65, the Commission's Decree 318/2007, the Commission's Decision 2003/881, the Commission's Decision 2005/64, the Commission's Decision 79/542, the Commission's Decision 2006/696, the Commission's Decision 2000/585, the Commission's Decision 2007/777, the Commission's Decision 2000/572, the Commission's Decision 2004/438, the Commission's Decision 2006/766, the Commission's Decree 2074/2005, the Council's Directive 92/118, the Commission's Decision 2003/812, the Commission's Decision 2003/779, the Council Directive 94/28.

The way of certification, according to:

- The Council Directive 96/93

4. Animal feed

- Drafting Law on Animal Feed and its harmonization with the proposed Law on Food Safety, and with the EU regulations: Decree 178/2002, 183/2002, 853/2004, 854/2004, 882/2004.
- The following rulebooks will be harmonized with the EU Decrees 178/2002, 183/2002, 853/2004, 854/2004, 882/2004.
- The Rulebook on establishments for production and trade in animal feed
- The Rulebook on Quality, Labelling and Packaging of Animal Feed
- The Rulebook on Official Methods of Sampling for Monitoring and Inspection Control for Animal Feed
- The Rulebook on Production of Animal Feed Additives
- The Rulebook on Official Methods of Testing Animal Feed and Additives
- The Rulebook on Specific Products that are Direct or Indirect Source of Proteins in Animal Feed
- The Rulebook on Feed for Animals for Special Purposes
- The Rulebook on Conditions of Production, Trade and Use of Medicined Animal Feed
- The Rulebook on Maximal Tolerable Quantities of Additives, Additions and other Substances in Animal Feed
- The Rulebook on Animal Feed Hygiene (the Council Decree 178/2002, 183/2005 being drafted)
- The Rulebook on Animal Feed Additions (the Council Decree 178/2002, 183/2005, 882/2004, 95/95 and 70/524)

5. Trade in livestock and animal origin products across the RS border

- Adoption of the following regulations is planned: the Rulebook on document for declaration of shipments for veterinary and sanitary control at entry to the Republic of Serbia, the Rulebook on document on the way of doing veterinary and sanitary control of border veterinary inspectorate, the Rulebook on reduced frequency of physical examination of shipments with certain products

liable to veterinary and sanitary control at import into the Republic of Serbia, the Rulebook on conditions for non-commercial movement of pets.

Harmonization of the above-mentioned by-laws with the following EU regulations is planned:

- The Council Directive 91/496 defining the way of organizing veterinary control of animals entering the Community from third countries,
- The Commission's Decree 282/2004 introducing the document on declaration and veterinary controls of animals from third countries entering the Community,
- The Council Directive 97/78 defining the way of organizing veterinary control of products entering the EC from third countries,
- The Council Directive 90/426 on veterinary and sanitary conditions for movement and import of ungulates from third countries,
- The Commission's Decree 136/2004 defining procedures of veterinary and sanitary controls of products at border-crossings of the Community while importing from third countries,
- The Commission's Decision 94/360 on reduced frequency of sanitary controls of shipments imported from third countries in accordance with the Council Directive 90/675,
- The Commission's Decision 97/794 defining detailed rules of implementing the Council Directive 91/496 pertaining to veterinary controls of livestock imported from third countries,
- The Commission's Decree 745/2004 on actions taken at import of products of animal origin intended for private consumption,
- The European Parliament and Council's Decree 998/2003 on veterinary and sanitary conditions applied to non-commercial trade in animals for the society and amendments to the Council's Directive 92/65
- The Council Directive 92/65 defining veterinary and sanitary conditions for intra-Community trade and import of animals, semen, eggs and embryos not mentioned in specific conditions covered by Appendix A(I) of Directive 90/425,
- The Commission's Decision 2000/208 defining detailed conditions for implementation of the instruction 97/78 pertaining to transport of animal origin products from one third country to another across the EC territory,
- The Council Decision 92/438 on informatization of veterinary import procedures (the *SHIFT* project) amending directives 90/675, 91/496, 91/628 and decision 90/424 and superseding decision 88/192,
- The Council Directive 83/91 amending Directive 72/462 on problems at veterinary and sanitary controls while importing cows and swine and fresh meat from third countries and Directive 77/96 on test against trichinellosis while importing fresh meat of home-grown swine,
- The Council Directive 90/539 on veterinary and sanitary conditions for intra-Community trade and import of poultry and setting eggs from third countries,
- The Council Directive 89/556 on veterinary and sanitary conditions of intra-Community trade and for import from third countries of third type bovine embryos,
- The Council Directive 88/407 defining veterinary and sanitary conditions for intra-Community trade and import of deeply frozen semen of domestic type bovine animals,
- The Council Directive 90/429 defining veterinary and sanitary conditions for intra-Community trade and import of deeply frozen semen of domestic type swine.

6. By-products of animal origin not intended for human consumption (residues of animal origin)

The following rulebooks are to be drafted:

- The Rulebook on treating by-products of animal origin, partly harmonized with the EU Directive 1774/2002 and its amendments,
- The Rulebook on actions to control and prevent from expansion transmissible spongiform encephalopathies, partly harmonized with Directive 999/2000 and its amendments.

7. Veterinary medicines

In draft:

- The Rulebook on the way of prescribing and releasing medicines used for veterinary purposes.
- The Rulebook on organizing monitoring, the way of notification and data to be submitted regarding the identified unsolicited effects of the medicine's use for veterinary purposes.

3.12.1.3. Mid-term priorities

3.12.1.3.1 Legislation

In accordance with mid-term priorities of the European Partnership and the EC Progress Report for 2007, mid-term priorities in veterinary medicine are in further harmonization of the regulations with the EU's *acquis* in the following areas:

1. Protection of animals from certain infectious diseases:

The below-mentioned action plans will emanate from the Veterinary Law

- Action Plan for cases of suspicion or peril of blue-tongue disease,
- Action Plan for suspicion or peril of foot and mouth disease,
- Action Plan for suspicion or peril of classical swine fever,
- Action Plan for suspicion or peril of atypical poultry fever,
- Drafting and implementation of the National Plan for eradication of classical swine fever and rabies.

2. Harmonization of export certificates with the EU regulations for animal-origin products and for livestock, as well as defining conditions for import into RS, in accordance with the following EU regulations:

- The Council Directive 64/432 on bovine animals and swine, the Council Directive 88/407 on bovine animals semen, the Council Directive 89/556 on bovine animals embryos, the Council Directive 90/426 on horses, the Council Directive 90/429 on swine semen, the Council Directive 90/539 on poultry and laying eggs, the Council Directive 91/67 on aquaculture products, the Council Directive 91/68 on Sheep and Goats, the Council Directive 92/65 on zoo animals, primates, fur animals, hares, bees, pets, birds, cats, dogs. Semen and embryos, the Council Directive 92/118 on products of milk, intestines, skin, horns, cleft feet, bones, processed animal protein, blood products, melted fat, raw materials from animal feed components, pharmaceutical/technical products, bee products, trophies, wool, hairs, bristles, products of wild animals and fowls' meat, reptile meat, manure, snakes, frog rumps, egg products, gelatin, honey, the Council Directive 2772/1999 on meat labeling, the Council Directive 2001/110 on honey, the Council Decree 1774/2002 on animal by-products, the Council Decree 829/2007 on animal by-products, the Council Directive 2002/99 on sanitary rule related to production, processing, distribution and introduction of animal-origin products into human consumption, the Council Decree 998/2003 on movement of pets, the Council Directive 2004/68 on export and transit of certain hoofed animals and ungulates, the Council Decree 852/2004 on foodstuff hygiene – basic rules, Council Decree 853/2004 on foodstuff hygiene – specific rules, the Council Directive 2006/88 on animals from aquaculture and their products, Decision 92/438 on computerization of issuing export veterinary procedures, international veterinary treaties.

3. Livestock and animal-origin products' trade across RS border:

- The Rulebook on hygiene, technical and working conditions to be met at border-crossings

4. In zootechnics harmonization is planned with the following EU regulations:

- The Council Directive 77/504, 87/328 on bovine animals zootechnics, the Council Directive 88/661 on swine zootechnics, the Council Directive 89/361 on zootechnics of sheep and goats, the Council Directive 90/118 and 90/119 on zootechnics of pure breeding swine and hybrid swine, the

Council Directive 90/427 on zootechnics of horses, the Council Directive 90/428 on zootechnics of racing horses, the Council Directive 91/174 on zootechnics of other animals.

5. In the area of animal health protection harmonization with the following EU regulations is planned:

- The Council Decision 73/53 on protective actions against vesicular swine disease, the Council Directive 77/391 and 78/52 on actions to eradicate tuberculosis, brucellosis and leucosis of bovine animals and the eradication plan, the Council Directive 80/1095 on eradication of classical swine fever, the Council Directive 82/400 on actions to eradicate tuberculosis, brucellosis and leucosis of bovine animals, the Council Directive 82/894 on reporting an animal disease, the Council Directive 90/423 on control actions against foot and mouth disease, the Council Directive 92/35 on actions against African swine fever, the Council Directive 92/40 on controlling avian influenza, the Council Directive 92/66 on actions to control Newcastle disease, the Council Directive 92/119 on specific actions against swine vesicular disease, the Council Directive 93/53 control actions against certain fish diseases, the Council Decision 93/140 on visual inspection to detect parasites in fish products, the Council Directive 95/70 on controlling certain mollusk diseases, the Council Decision 92/188 on control actions on swine reproductive and respiratory syndrome, the Council Directive 2000/75 on control and eradication of blue tongue disease, the Council Directive **2001/89** on control measures against classical swine fever, the Council Decree **999/2001** on prevention, control and eradication of TSE, the Council Directive 2002/60 on controlling African swine fever and amendment of Directive 92/119 related to contagion of swine and African swine fever, the Council Decree **2160/2003** on controlling salmonella and other specific agents of food-borne zoonoses, the Council Directive 2003/85 on controlling foot and mouth disease, the Council Directive 2003/99 on monitoring zoonoses and zoonotic agents.

6. In animal feed area it is envisaged to implement by-laws the adoption of which is a short-term priority (stated in the short-priorities section).

3.12.1.4 Financial needs

3.12.1.4.1 Budget

There are no budgetary funds explicitly earmarked for RS regulations' harmonization with the EU's.

3.12.1.4.2 Foreign assistance

- Twinning project "Institutional capacity building of the Veterinary Directorate" is being implemented in cooperation with experts from FR Germany. The Project objectives are support to development of market economy in agriculture and food production sectors of Serbia and their capacity to participate in international trade, strengthening the capacity of veterinary service to adopt and implement the EU regulations in veterinary public health in order to protect consumers' health, protection and improvement of animal health and welfare in conditions of proper productivity and profitability, risk management against zoonoses and other human health hazards that can occur in consumption of animal-origin food; environment protection from adverse effects of animal breeding, food processing and handling by-products/residues of animal origin (being harmonized with relevant EU regulations).

- Twinning project implemented in 2007, in cooperation with the Netherlands and Slovenia. During the project, the Veterinary Directorate representatives made study visits to relevant institutions in Slovenia and the Netherlands.

- The Project “The Danube River Pollution Reduction (*DREPR*)” refers to financial assistance to farm owners for resolving the storage and to slaughter-house owners for introducing waste water purification system.
 - The project “Technical assistance for medical waste management”, within which resolving of veterinary institutes and laboratories’ waste is envisaged, as well as a guidebook for safe removal of laboratory waste.
 - The project “*Reform of the food chain inspection service*” implemented with assistance of *CarlBro* consultancy. Within this project, trainings were held in EU legislation, food chain control and safe food production training for inspectors, epizootiology and contagious disease control.
 - The project “Urgent assistance for early detection, prevention and control of avian influenza in the Balkan region”, funded by *FAO* (implemented in 2007)
 - The project “*CARDS 2001 Integrated Border Management (IBM)*” provided basic training of border veterinary inspectors, which created conditions for easier and expedited trade and enhancement of international cooperation.
 - The project *CARDS 2004* “Strengthening capacities of border veterinary inspectorate ”
 - The project “*CARDS 2004 – Strengthening capacities of border veterinary inspection - equipment*” whereby a detailed analysis of border crossings was implemented, legislation harmonized, together with training and procurement of the remaining equipment for veterinary border crossings.
 - Twinning project – “Strengthening institutional capacities of laboratory chain for food testing“ was implemented with the goal of strengthening capacities of veterinary, phytosanitary and sanitary laboratories, competent inspectorates and border control bodies
 - The project ”Technical assistance for animal identification and registration system“
- The following projects for border veterinary inspection are in progress:
- Building and reconstruction of border crossings Presevo and Batrovci, deadline for completion by 31 December 2009, financed by the European Agency for Reconstruction (EAR),
 - Building and reconstruction of border crossings Bezdan, Vatin and Veliko Gradiste, deadline for implementation 31 December 2008, financed by the European Agency for Reconstruction (EAR),
- The joint “Twinning Project” with the Serbian Ministry of the Interior and Customs Administration, the project holder is the Serbian Ministry of the Interior.**

3.13. FISHING

3.13.1.1. State of play

Regulations in the area of fishing in Serbia are partly aligned to the EU regulations, in part that pertains to the competences of the Ministry of Agriculture, Forestry and Water Management – Veterinary Directorate and the Ministry of Environment Protection.

3.13.1.1.1. Legislative framework

- The Law on Fishing (Official Gazette of RS 35/94, 38/94 and 101/05)
- Veterinary Law (Official Gazette of RS 91/2005)
- The Order to establish ban on fishing certain species in fishing area or part of it and the ban on fishing species that do not have a given size (Official Gazette of RS 100/03)
- Rulebook on method, means and tools for fishing (Official Gazette 25/95)
- Rulebook on the form of licence for sport fishing (Official Gazette of RS 49/95)
- Decree on fee to be charged in fishing areas (Official Gazette of RS 1/03)
- Decision on establishing fishing areas (Official Gazette of RS 126/07)
- Rulebook on demarcation of fishing areas (Official Gazette of RS49/95)
- Rulebook on the form of licence for commercial fishing (Official Gazette of RS 49/95)
- Rulebook on form of identification of fishing area keepers (Official Gazette of RS 49/95)
- Decision on declaration of natural breeding areas in fishing zones (The Official Gazette of RS 76/94 и 79/02)
- The Rulebook on Requirements to be met by facilities for animal slaughter, processing and storage of animal origin products (The Official Gazette of SFRY 53/89 Articles 149 – 152),
- The Rulebook on the way of performing veterinary and sanitary checks and controls (The Official Gazette of SFRY 68/89),
- The Rulebook on form and contents of mark, i.e. the certificate of game safety for human consumption, and the procedure of labelling food of animal origin (The Official Gazette of RS 44/2007),
- The Rulebook on quality and other requirements for fish, crab, shellfish, sea urchins, sea cucumbers, frogs, turtles, snails and their products (The Official Gazette of SFRY 6/2003),
- The Rulebook on the way of loading, reloading and unloading of shipments with animals, products, raw materials and residues of animal origin, and the requirements to be met by vehicles, hygienic and technical requirements to be met by shipments and the form of certificate on health condition of the shipment (The Official Gazette of SFRY 69/1990)
- The Rulebook on the list of particularly perilous infectious animal diseases that occur imminently, and the way of their reporting in and out (The Official Gazette of RS 23/2006)

3.13.1.1.2. Institutional framework

The affairs in fishing are conducted by the Ministry of Environment Protection and, in one part, by the Ministry of Agriculture, Forestry and Water Management (Veterinary Directorate).

The Veterinary Directorate within the Ministry of Agriculture, Forestry and Water Management, is competent for registration of establishments in land (fish and fish-origin product processing) and aboard ships, control and supervision of production and trade (internal and foreign) of fish and fish-products, control of health status of live fish, control of fish and fish-origin products quality, monitoring of residues in live fish, the goods that require veterinary and sanitary control at import, export and

transport, products from processed meat, fish, mollusca, shellfish and other water invertebrates. In fisheries carp laboratory control of fish health status is conducted (erythrodermatitis, spring viremia and carp bubble inflammation).

The Ministry of Environment Protection is competent for: managing fishing resources in fishing waters, which entails preservation and protection, catch and use of fish and farming all species and age categories of fish. Fishing resource management is done in accordance with the principle of sustainable use, which contributes to preservation of ichtio-faunistic diversity and ecological integrity of water ecosystems. Fish farming covers production of spawn, young fish and fish in fisheries, in confined parts of fishing waters and fishing water cages.

Within the ministry of agriculture, forestry and water management there are no systematized job posts for this area.

3.13.1.2. Short-term priorities 2008/2009

3.13.1.2.1. Legislation

In accordance with the short-term priorities of the European Partnership and the EC Progress Report for 2007, the short-term priorities in fishing are alignment of legal acts and regulation with the following EU regulations:

- The Decree of the European Parliament and Council 853/2004,
- The Decree of the European Parliament and Council 854/2004 ,
- The EC Directive 96/23,
- The European Parliament and Council Directive 882/2004.
- Alignment of programs and measures for animal health protection in 2008 in the area of fish diseases by instructions and rules of the World organisation for animal health.

The Ministry of Environment Protection set up a Working Group in 2007, to draft the Law on Protection and Sustainable Use of Fish Resources, pending for adoption in this period. Simultaneously, alignment and amendments of all by-laws in fishing is planned against the following EU regulations:

- The European Parliament and Council Directive 708/2007
- The Council Directive 78/659/EEC

3.13.1.2.2. Institutions

- Strengthening the existing administrative capacities
- Enhancement of laboratories and laboratory analyses for control in this area
- Establishment of systematic monitoring of fish resources' husbandry. To attain this goal, it is necessary to implement the following activities:
 - To legally regulate the obligation of monitoring;
 - In accordance with water type harmonize the monitoring procedure;
 - For status indicators use catch by units of effort, number of licences issued for recreation and commercial fishing, economic indicators;
 - To use the monitoring results for defining limits to fish resources use (fishing quotas, bans, limits to the number of licences issued);
 - For the needs of monitoring engage scientific and research teams

- To perform valuation and categorization of fishing waters in Serbia from fishing and conservation aspect;
- To perform determination of fishing pressure intensity based on monitoring;
- To reduce illegal fishing below 10% of total fishing scope;
- Actions related to adoption of cross-governmental agreements on regulating fishing on border rivers

3.13.1.3 Mid-term priorities 2009/2012

3.13.1.3.1. Legislation

Continuation of alignment to the EU *acquis*:

- The Decree of European Parliament and Council 853/2004, Decree of the European Parliament and Council 854/2004, The EC Directive 96/23, The European Parliament and Council 882/2004, The Decree of European Parliament and Council 708/2007, the Council Directive 78/659/EEC,

Alignment of programs and measures for animal health protection in the area of fish diseases to instructions and rules of World Organization for Animal Health Protection and to FAO instructions.

3.13.1.3.2. Institutions

- Pursuant to the agreement of two relevant ministries the issues of competences in this area and the administrative capacities necessary for work will be settled,
- Fisheries register
- Records and register of all facilities for fish farming, including those for sport fishing, where permanent veterinary supervision with regular clinical check-up of fish and laboratory analyses must be provided.
- Sustainable development of aquaculture aiming at accommodating national needs for fishing products and creating conditions for development of export-oriented aquaculture
- Creating pre-conditions for export-oriented aquaculture (long-term). In order to achieve this, it is necessary to undertake the following activities:
 - Enhance the efficiency of current breeding practice;
 - Carry on with the efforts toward reduction of production costs to the internationally comparable figures;
 - Following the international market trends and realistic analysis of prospects for developing export-oriented aquaculture;
 - Development of aquaculture toward breeding export-oriented species (sturgeon species, perch, some allochthonic species);

3.13.1.4. Financial needs

3.13.1.4.1. Budget

3.13.1.4.2. Foreign aid

Table 1. The needs to recruit staff for the Ministry of environment protection – Department for fishing

Name	of	the	Existing	or	Current staff	<i>Planned (total) number of staff by years</i>
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institution	planned		2008.	2009 ³³	2010	2011	2012
Ministry of environment protection Department for fishing	Existing	5	5	6	6	10	10

Financial needs

Table 2A. The needs of the Ministry for Environment Protection – Department for fishing industry

	in 2008	in 2009	in 2010	in 2011	In 2012
Activities/	100,000	250,000	300,000	300,000	300,000
Institution building (premises, staff, equipment...)	100,000	100,000	100000	100,000	100,000
Infrastructure	100,000	100,000	100000	100,000	100,000

Table 2A. The budget of the Ministry for Environment Protection - Department for Fishing Industry, local source

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities	0	100,000	150,000	200,000	250,000
Institution building (premises, staff, equipment...)	0	100,000	100,000	100,000	100,000
Infrastructure	0	120,000	120,000	120,000	120,000

Table 2B. The budget of the Ministry for Environment Protection - Department for Fishing Industry, foreign source (*Twinning*, technical assistance, IPA/bilateral)

	in 2008	in 2009	in 2010	in 2011	In 2012
Activities	EAR project 330,000 EUR (2007 and 2008)	400,000	400,000	600,000	600,000
Institution building (premises, staff, equipment...)	EAR project 330,000 EUR (2007 and 2008)	100,000	100,000	200,000	200,000

³³ The number of staff is given just for example

3.14. TRANSPORT POLICY

3.14.1 Land transport

3.14.1.1. Road transport

3.14.1.1.1. Current situation

3.14.1.1.1.1. Legal framework

The existing regulations in the sphere of road transport in the Republic of Serbia consist of:

- The Law on International Road Transport (“FRY Official Gazette” No. 60/98, 5/99, 44/99, 74/99, 4/00, “RS Official Gazette” No. 101/05)
- The Law on Road Transport (“RS Official Gazette” No. 46/95, 66/01, 61/05, 91/05, 62/06)
- The Law on Contracts in Road Transport (“FRY Official Gazette” No. 26/95)
- The Law on Public Roads (“RS Official Gazette” No. 101/2005)
- The Law on Basic Safety in Traffic on Roads (“SFRY Official Gazette” No. 50/88, 63/88, 80/89, 29/90, 11/91, “FRY Official Gazette” No. 34/92, 13/93, 24/94, 41/94, 28/96, 3/2002 and “RS Official Gazette” No. 101/2005)
- The Law on Road Traffic Safety (“SRS Official Gazette” No.53/82, 15/84, 5/86, 21/90 and “RS Official Gazette” No. 28/91, 53/93, 67/93, 48/94, 25/97 and 101/2005).

The Law on International Road Transport regulates the conditions for maintaining the international public transport, the international public transport of passengers, bus stations for the international public transport of passengers, the international freight transport, the international transport for personal needs, tolls and other important questions in the sphere of international road transport. On the basis of the Law on International Road Transport, the following sublegal acts and regulations have been passed:

- The Regulation on the method of distribution and criteria for issuing foreign permits for the international public freight transport to domestic transporters (“RS Official Gazette” No. 99/05, 23/06)
- The Regulation on the content of project reports on the economic justification of starting a line, solvency of local transporters and the method of determining a domestic transporter for starting a line in the international public passenger transport (“FRY Official Gazette” No. 19/00, “RS Official Gazette” No. 20/04, 91/06)
- The Regulation on traffic, technical, hygienic and other conditions of bus stations for the international public transport of passengers (“RS Official Gazette” No. 18/04)
- The Regulation on the travel order form for domestic transporters (“FRY Official Gazette” No. 46/2000).

The Law on Road Transport regulates the public transport and the personal passenger and freight transport, the conditions of construction, maintenance and operation of bus stations and bus stops and other conditions of the organization and actual transport within the domestic road transport. On the basis of the Law on Road Transport, the following sublegal acts have been passed:

- The Regulation on detailed transport, technical and other conditions for the construction, maintenance and exploitation of bus stations and bus stops (“RS Official Gazette” No. 20/96, 18/04, 56/05, 11/06)
- The Regulation on the content of the time-table forms, the content of registers and the method of keeping them, and validating the time-tables in intercity and inter-republic transport (“RS Official Gazette” No. 20/96, 20/04)
- The Regulation on the method of confiscating, safekeeping and operating temporarily confiscated vehicles used for performing legal offences or commercial offences (“RS Official Gazette” No. 71/2006)
- General conditions of transport in intercity and inter-republic transport of passengers (“RS Official Gazette” No. 1/06)
- General conditions of operation of bus stations (“RS Official Gazette” No. 21/96 and 116/03) and others.

The Law on International Road Transport and **the Law on Road Transport** originate from the period of divided jurisdictions of the Federal Republic (FRY and the Federal Union of Serbia and Montenegro) and the republic (the Republic of Serbia), and are characterized by a notable number of inconsistencies and only partial conformity with *acquis communautaire*.

Besides, the provisions of international bilateral agreements in the sphere of road transport between the government of the Republic of Serbia and the governments of other states (mostly EU members) are implemented.

The international road transport in Serbia and the access to the international transport market is mostly performed via the regime of quotas of bilateral permits and multilateral CEMT permits.

The Law on Public Roads regulates the legal aspect of public roads, the conditions and method of managing, protection and maintenance of public roads, the sources and methods of financing public roads, special conditions for the construction and reconstruction of public roads and inspections.

The Law on Basic Safety Measures in Road Transport regulates the basic conditions to which public roads must conform, the basic traffic regulations on roads, the system of traffic signs, the obligations in the case of an accident, the basic requirements for enabling candidates to pass driving tests, towing vehicles, the basic requirements for acquiring the right to control a motor vehicle, the necessary devices and equipment in vehicles, the dimensions, total mass and axial load, as well as the basic conditions, universal on the whole territory of Serbia, to which the vehicles in traffic must conform.

The Law on Road Traffic Safety regulates the safety measures and other measures regarding the safety and improving road traffic.

On the basis of the Law on Basic Safety Measures in Road Transport and the Law on Road Traffic Safety, a large number of sublegal acts have been passed:

- The Regulation on dimensions, total mass and axial load, as well as basic conditions to which the devices and equipment in vehicles and in road traffic must conform (“SFRY Official Gazette” No. 50/82, 4/85, 65/85, 64/86, 22/90, 50/90 and 51/91);

- The Regulation on the total time of controlling a vehicle, drivers' rest and the work method of dual crews in vehicles regarding the influence on the safe control of a vehicle ("SFRY Official Gazette" No. 18/84, 67/58)
- The Traffic Road Sign Regulation ("RS Official Gazette" No. 15/04);
- The Regulation on registering motor vehicles and trailers ("SFRY Official Gazette" No. 74/89, 17/90, 7/92, 22/92, 25/92, "FRY Official Gazette" No. 50/92 and 44/98)
- The Regulation on the method of taking a driving test ("FRS Official Gazette" No. 2/83 and 17/03);
- The Regulation on conducting the technical inspection of vehicles ("FRS Official Gazette" No. 23/84);
- The Regulation on driving license form ("SFRY Official Gazette" No. 74/89 and 17/90);

In December 2007, the government of the Republic of Serbia passed the Development Strategy for Railroad, Road, Water, Air and Intermodal Transport in the Republic of Serbia 2008-2015 ("RS Official Gazette", No. 4/08) (hereinafter: the Strategy), in which one of the adopted aims is the reduction of the number of accidents. It outlined the framework for creating a strategy and program for advancing traffic safety, as well as the urgent need to amend the existing regulations in the sphere of traffic safety. In 2004, the Traffic Road Sign Regulation was adopted ("RS Official Gazette", No. 15/2004), in which the first step for adjusting that regulation to EU regulations was made. Keeping in mind the need for contemporary requirements of marking and recognizing vehicles, the Regulation on registering motor vehicles and trailers ("RS Official Gazette", No. 130/07) was passed, which regulates the new driving license form and the certificate of temporary registration of vehicles. A new look of license plates was defined, and for the first time, license vignettes for internal and external use in vehicles were also defined. The driving license form was adjusted to the requirements from Declaration 1999/37/EC on the registration documents for vehicles and Directive 2003/127/EC.

3.14.1.1.1.2. Institutional framework

The Ministry of Infrastructure is responsible for regulations in the area of road transport, except for by-laws adopted by Law on Safety in Road Transport, where competences are divided between this Ministry and the Ministry of the Interior. The Ministry of the Interior is designated to process the Law on Safety in Road Transport.

Within the Ministry of Infrastructure, in the sphere of road transport, two sectors were formed – the Road Directorate with 63 employees and the Directorate for Roads and Traffic Safety with 21 employees³⁴.

The institutional capacities within the Ministry are insufficient for controlling traffic safety in conformity to with the current standards in the EU countries or those originating from EU regulations.

The Ministry of the Interior conducts road safety via the Directorate of Traffic Police, which operates at the seat of the Police Directorate.

³⁴ In the Sector for adjustment of policy and regulations with the EU there are six (6) employees, in charge of all forms of transport

The Directorate of Traffic Police conducts the traffic safety policy via 27 regional police directorates, and via the Directorate of Traffic Police within the Police Directorate in Belgrade and 26 departments of traffic police with seats at other regional police directorates. There are 71 employees in the Directorate.

The Ministry of Health is in charge of promoting public health and the prevention of injury (injuries in traffic are most common).

Public Company “Serbian Roads” is in charge of regulating the road network, as well as controlling the traffic on state roads, in accordance with its jurisdiction stipulated by the Law on Public Roads, which requires safe roads and safe organization of traffic.

In the previous period several projects were conducted, financed by European funds, in which traffic safety was accented. Out of those, the most important was Institutional Capacity-Building in Transportation (2005/2006) within the Ministry of Transport, as well as the Twinning Project of the first conformity with EU regulations in the sphere of transport (from 2006 to 2008). In 2002 a report on institutional capacities for controlling the transport of dangerous goods and a suggestion for further enhancement was created. Within the Ministry of the Interior, up to now several activities and seminars necessary for further institutional capacity-building were conducted; the most important were workshops in the sphere of digital tachographs, enhancing traffic inspections, as well as the partial modernization of the equipment for discovering offences. The activities in the sphere of enhancing the inspection of traffic accidents were particularly stressed, by the means of a project financed in 2006 and 2007 by the government of the Republic of Serbia within the National Investment Plan. The Road Safety Department conducted a Twinning project with the Swedish Road Administration (from 2004 to 2007), within which awareness-enhancement and institutional capacity-building in traffic safety were particularly stressed. In 2007 World Bank experts created the Report on Institutional Capacities for Controlling Traffic Safety and Action Plan.

3.14.1.1.2. Short-term priorities (2008-2009)

3.14.1.1.2.1. Legislation

The development of road transport will focus on enhancing competition and professionalism in the sector, adjusting regulations to the EU regulations in the sphere regarding the priorities of the European Partnership, as well as liberalizing road transport in other countries, especially the ones in the region.

Within the Twinning Project – the first conformity with *acquis communautaire*, two Draft Laws are in the final phase of creation: **the Draft Law on Passenger Road Transport** and **the Draft Law on Road Haulage**.

Both laws will conform to the following EU regulations: Directive 96/26/EC on admission to the occupation of road haulage operator and road passenger transport operator, amended and corrected by Directive 98/76/EC, Regulation 1370/2007/EC on public passenger transport services by rail and by road, Regulation 92/684/EEC on common rules for the international carriage of passengers by coach and bus, amended and corrected by Regulation 11/98 EC, Regulation 12/98 EC laying down the conditions under which non-resident carriers may operate national road passenger transport services within a Member State, Regulation 881/92/EEC on access to the cargo road transport market, amended and corrected by Regulation 484/2002 EC, Regulation 3916/90 EEC on measures to be taken in the event of a crisis in the market in the carriage of goods by road, Regulation 3118/93 EEC laying down the conditions under which non-resident carriers may operate national road haulage in a Member State and Regulation 4058/89 EEC on the fixing of rates for the carriage of goods by road between Member States.

In the following period it is planned to create sublegal acts regulated by the new Laws, as well as amendments and corrections to the existing sublegal acts:

- Regulations on distributing and the criteria for issuing foreign permits for the international public transport of goods to domestic transporters (“RS Official Gazette”, No. 88/05).
- Regulation on technical and exploitational conditions which freight vehicles and buses in the international public transport on roads must fulfill (“RS Official Gazette”, No. 99/05, 23/06), which will fully conform to Directive 96/96/EC.

In 2008 it is necessary to commence the process of introducing the system of digital tachographs in accordance with the European Agreement Concerning the Work of Crews of Vehicles Engaged in International Road Transport (AETR). Serbia is obliged to implement that system by June 2010 at the latest. The obligation of introducing digital tachographs is required by the European Partnership.

In 2009 a new Law on Road Traffic Safety is planned. The current Draft Law conforms to the following EU directives: Directive 96/53/EC laying down for certain road vehicles circulating within the Community the maximum authorized dimensions in national and international traffic and the maximum authorized weights in international traffic, amended and corrected by Directive 2002/7/EC, Directive 561/2006 EC on the harmonization of certain social legislation relating to road transport, amended and corrected by Directive 22/2006 EC, Directive 3821/85 EEC on recording equipment in road transport, amended and corrected last by 2006/22/EC and Directive 2002/15/EC on the organization of the working time of persons performing mobile road transport activities.

The conformity of the legal regulations in the sphere of transport of dangerous materials with the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR) and EU regulations contributes to the increase in the level of security and stability in the road transport system.

Several sublegal acts conforming to EU regulations and originating from the Law on Public Roads are planned:

- Technical regulations for design,
- Technical regulations for the functional classification and pre-categorization of the transport network in the Republic of Serbia,
- Technical regulations for traffic signalization.

Institutional capacity-building in the transport sector, and especially in the sphere of transport of dangerous materials, and creating conditions for operating the system in accordance with EU procedures and experience, are important short-term priorities in this sphere, apart from the new regulations.

3.14.1.1.2.2. Institutions

According to **The Draft Law on Passenger Road Transport and the Draft Law on Road Haulage**, a Road Transport Agency ought to be formed for the whole range of technical operations such as: issuing licenses to domestic transporters for commercial haulage in domestic and international road traffic, issuing certificates of professional ability for transport activities, coordinating time-tables in organized domestic and international passenger transport, issuing and the complete administration of single and multilateral permits for road transport to domestic transporters, as well as issuing certificates for road freight vehicles.

The Agency for Traffic Safety is to be formed with the aim of performing activities in the sphere of traffic safety which have not been conducted in Serbia until now and that obligation is needed both for technological reasons and in order to conform to EU regulations.

The basic reasons for forming **the Agency for Traffic Safety** are as follows:

- The development of the state government and the increase of the operations which require the creation of new status forms, conforming to the new business development, capability of performing state-of-the-art activities in traffic safety in accordance with new technological advances,
- The current organization of the state administration in the sphere of traffic safety does not stimulate sufficiently the development of expertise, adopting new contemporary standards and enhancing the existing practices, etc.
- Expert and developmental aid is needed in order to implement the new Law on Road Traffic Safety.

Keeping in mind the need for coordinating the activities and measures for enhancing traffic safety, the first steps have been taken to form a coordinating body of the Ministry of Infrastructure, the Ministry of the Interior, the Ministry of Health, the Ministry of Education and the Ministry of Justice, as well as the body which controls state roads (public company “Serbian Roads”). Within this body, subgroups in charge of certain spheres will be formed, such as the safety of children in traffic, controlling black spots on roads, campaigns for traffic safety, introducing the system of digital tachographs, introducing penalty points, etc.

Initiated by the Ministry of Economy and Regional Development, the Ministry of Infrastructure will take over the Department of Homologation of the Standardization Institute.

3.14.1.1.3. Middle-term priorities (2010-2011)

3.14.1.1.3.1. Legislation

In conformity with the priorities of the European Partnership, the sublegal acts necessary for implementing the new Law on Road Traffic Safety will be passed.

The sublegal acts will conform to the following EU regulations: Directive 2002/24/EEC on two or three wheel motor vehicles (EC type approval), Directive 70/156/EEC on type-approval of motor vehicles and their trailers with all amendments and corrections up to and including Directive 2004/104/EC, Directive 74/150/EEC on Type-approval of wheeled agricultural or forestry tractors with all amendments and corrections up to and including Directive 2003/37/EC, Directive 96/53/EC laying down for certain road vehicles circulating within the Community the maximum authorized dimensions in national and international traffic and the maximum authorized weights in international traffic, amended and corrected by Directive 2002/7/EC.

The sublegal acts planned in 2011 will directly originate from the Law on Road Traffic Safety. Here are some of them:

- Regulation on the appearance and the method of use of the vehicle sign for the organized transport of children;
- Regulation on the method and conditions of transport of children younger than 12 years of age in a motor vehicle;
- Regulation on special conditions for vehicles and drivers operating school busses and vehicles for the organized transport of children;
- Regulations on the conditions for issuing licenses for operating vehicles in public passenger transport or haulage to professionals;
- Regulation on traffic signalization;
- Regulation on the method and elements of adopting categories marked in the driving license;

- Regulation on the overall vehicle operation; the method of operation for dual crews, the rest for drivers who operate vehicles; the form and content of individual control booklets, as well as the method of data organization;
- Regulation on the technical inspection of vehicles;
- Regulation on the method of analysis and recovery of high-risk road parts;
- Regulation on record-keeping of damaged and repaired vehicles;
- Regulation on the appearance and content of driving license forms, as well as driver registration;
- Regulation on the performance of operations and direct supervision of road traffic, emergency traffic regulation, as well as the control of persons and vehicles in traffic;
- Regulation on the method of registering penalty points and implementing rights and regulations on the basis of penalty points;
- Regulation on health conditions which candidates for driving license must fulfill;
- Regulation on training the candidates who wish to take the driving test and their registration;

The activities in creating sublegal acts in the sphere of transport of dangerous materials will continue, as well as issuing amendments and corrections of Conventions and organizing various trainings of state officers who work in the aforementioned sphere.

In the middle-term, activities for controlling and further development of Serbian road network are planned, according to the following EU regulations: Directive 2004/54/EC on road tunnel safety, the Directive on infrastructure safety, and Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures.

3.14.1.1.3.2. Institutions

Extensive training of state officials in the sphere of transport of dangerous materials, traffic safety and road transport is planned, by the means of projects for institutional capacity-building and Twinning projects.

The needs of state institutions for new employees

Name of the institution	Whether the institution exists or is planned	Current number of employees	<i>Planned (overall) number of employees (annual)</i>				
			<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Ministry of the Interior Traffic Police Directorate	Existing	7	8	8	9	10	-
Total		7	8	8	9	10	-

3.14.1.2. Railway transport

3.14.1.2.1. Current situation

3.14.1.2.1.1. Legal framework

The current legal acts which regulate the sphere of railway transport are:

- The Law on Railway (“RS Official Gazette”, No. 18/05), which regulates the method and conditions of operating the public railway infrastructure and performing railway transport;
- The Law on Safety in Railway Transport (“FRY Official Gazette”, No. 60/98 and 36/99, (“RS Official Gazette”, No. 101/2005) and regulations and general acts for the implementation of the Law, which fully regulate the railway transport safety;
- The Law on Contracts in Railway Traffic (“FRY Official Gazette”, No. 26/95);
- The Law confirming the Protocol of June 3, 1999 on the amendments of the Convention concerning International Carriage by Rail (COTIF) of May 9, 1980 (Protocol of 1999) and the Convention concerning International Carriage by Rail (COTIF) of May 9, 1980, the version based on the Protocol on amendments of June 3, 1999 (“RS Official Gazette – International Contracts”, No. 102/07);
- The Decision of the government of the Republic of Serbia on founding the public company for controlling public railway infrastructure and performing the public railway transport, as well as the new memorandum of association on the basis of which the public company “Serbian Railway” is formed, and which stipulates the principles of its organization (“RS Official Gazette”, No. 78/04, 19/05).

The Law on Railway regulates the sphere of railway transport and the methods and conditions of controlling the public railway infrastructure and performing rail transport. That law introduced a number of new solutions with the aim of enhancing the efficiency of the railway system of the Republic of Serbia and its integration in the market of transport services, as well as the integration of Serbian railway into the EU railway system; in particular: dividing the railway system into two parts (the one responsible for controlling the railway infrastructure, as well as organizing and regulating traffic and the one responsible for passenger and freight transport); creating conditions for the emergence of several controllers of the railway infrastructure and several transporters in the public railway infrastructure, so that the competition might enhance the quality of service and reduce business expenses; determining the conditions for the free and equal access to the public railway infrastructure for all interested transporters, including foreign transporters; creating conditions for stimulating the development of intermodal traffic; according to this Law, the Directorate for Railways was formed as a separate organization in the system of the state government.

On the basis of the Law on Railways, the following sublegal acts and regulations have been passed:

- Regulation on categorizing railway tracks (“RS Official Gazette”, No. 75/2006);
- Regulation on the fees for issuing the permits for using railway vehicles, parts and equipment for railway vehicles, as well as for the devices, parts and equipment for railway infrastructure (“RS Official Gazette”, No. 117/05);
- Regulation on the fees for issuing operating licenses for the railway infrastructure (“RS Official Gazette”, No. 39/06);

- Regulation on the conditions for issuing and the content of safety certificates for the control of railway infrastructure and industrial railway (“RS Official Gazette”, No. 39/06);
- Regulation on the fee for issuing safety certificates for the control of railway infrastructure and industrial railway (“RS Official Gazette”, No. 39/06);
- Regulation on the fee for issuing transport licenses in railway traffic (“RS Official Gazette”, No. 39/06);
- Regulation on the conditions for issuing and the content of safety certificates for transport in railway traffic (“RS Official Gazette”, No. 39/06);
- Regulation on the fee for issuing certificates for transport in railway traffic (“RS Official Gazette”, No. 39/06);
- Regulation on railway infrastructure elements (“RS Official Gazette”, No. 114/06).

The Law partially conforms to *acquis communautaire*. One of the reasons for passing the Law was the necessity to have it conform to Directive 91/440/EEC on the development of the Community's railways, and Directives 95/18/EEC and 95/19/EEC, passed with the aim of more precise determination of Directive 91/440/EEC, which became the legal framework for restructuring all European railways and national railway companies. Also, Directives 2001/12/EC, 2001/13/EC and 2001/14/EC were taken into consideration. The basic guidelines in the aforementioned directives and their incorporation in the legal regulations were also taken over as the obligation according to the signed Loan Agreement (the Yugoslav Railways Reconstruction Project of the Belgrade Rail Transport Company), the Project Support Agreement and the Guarantee Agreement, signed on October 25, 2001 in Belgrade by the European Bank for Reconstruction and Development and the Belgrade Rail Transport Company, with the guarantees of the federal government and the government of the Republic of Serbia.

3.14.1.2.1.2. Institutional framework

The Ministry of Infrastructure is responsible for motioning legal regulations and passing sublegal acts and other regulations in the sphere of railway transport and motioning regulations passed by the government.

Within the Ministry, the Department for Railway and Intermodal Transport has been formed, which performs state control in the sphere of railway and intermodal transport. The Department consists of 12 employees.

According to the Law on Railway, the Directorate for Railway has been formed as a separate organization in the system of state administration, with the aim of:

- Following and participating in the creation of regulations in the sphere of railway transport;
- Preparing documents in the sphere of regulatory activities and performing them until the accession to the EU, when an independent body will be formed;
- Performing a logistical function for the government in the process of decision-making in the sphere of the railway system.

The Directorate for Railways consists of 51 employees.

3.14.1.2.2. Short-term priorities (2008-2009)

3.14.1.2.2.1. Legislation

The Law on Amendments and Corrections of the Law on Railways – The final text of the Draft Law on Amendments and Corrections of the Law on Railways is currently being done. The Draft Law does not significantly change the legal matter, but only improves the existing legal solutions. The amendments have been inserted with the aim of improving the solutions primarily in connection with the national regulations passed after the Law itself was passed, adding the provisions which regulate the combined railway transport, as well as the more comprehensive definition of the authorization for passing regulations.

The Law on Safety in Railway Transport – The creation of the new Law will commence in 2008, since it depends on the amendments and corrections of the Law on Railways. The Draft Law will be discussed at a public debate because it will be new and will need to conform to EU regulations, in particular to Directive 2004/49/EC on safety on the Community's railways.

The Law on Transport of Dangerous Materials – In the sphere of transport of dangerous materials, the following regulations currently exist: The Law on Transport of Dangerous Materials (taken over from the federal level), the Law on production and circulation of Poisonous Materials and the Regulation on Transport of Dangerous Materials. It is necessary to pass a new Law on Transport of Dangerous Materials, which would precisely define the obligations and authority of state organs, as well as the obligations of transporters, and it is necessary to ensure full conformity to the following EU regulations: Directive 94/55/EC and the corrections in the Commission Direction 2006/89/EC, Directive 95/50/EC, Directive 96/49/EC, Directive 96/35/EC and Directive 2000/18/EC. The Draft Law is in the process of creation.

3.14.1.2.2.2. Institutions

The training, performed according to the General professional development program of state officers in state authority organs and the government, is attended by a certain number of state officers from the Sector. In that respect, the basic activities of the Sector are taken into consideration.

3.14.1.2.3. Middle-term priorities (2010-2011)

3.14.1.2.3.1. Legal system

In the middle-term period, it is planned to adjust the **Law on Railways** to the amendments and corrections of the existing directives and other regulations passed within the European Union, in particular to the following: Directive 91/440/EEC on the development of the Community's railways, last amended by Directive 2007/58/EC; Directive 95/18/EC on the licensing of railway undertakings, last amended and corrected by Directive 2004/49/EC; and Directive 2001/14/EC on the allocation of railway infrastructure capacity and the levying of charges for the use of railway infrastructure and safety certification, last amended and corrected by Directive 2007/58/EC.

The Law on Cable-Cars – Within the activities in the sphere of special-type cable systems, there ought to be extensive and thorough work on regulating the legal matter in the sphere of cable-cars, ski-lifts and cableways, which means creating the Law on Cable-Cars, which would fully define the legal and sublegal acts in the sphere and determine the criteria according to which all the operation regarding the aforementioned transport systems would be performed. The relevant EU regulation in this sphere is Directive 2000/9/EC relating to cableway installations designed to carry persons.

3.14.1.2.3.2. Institutions

The capacities of the Department for Railway and Intermodal Transport will be built, depending on the intensity of the railway system structural reforms, and further analyses of the Department's functioning in the previous period will be performed in accordance with the state administration reform.

Training, performed according to the Program of general professional development of state officers in state administration organs and the government administration will continue.

3.14.1.3. Intermodal (combined) transport

3.14.1.3.1. Current situation

3.14.1.3.1.1. Legal framework

The existing legal framework in the sphere of intermodal transport consists of the following:

- The Law on Ratifying the Agreement between the Council of Ministers of Serbia and Montenegro and the government of the Republic of Croatia on the International Combined Transport of Goods, "SM Official Gazette – International Agreements", No. 4/2006.
- The Law Confirming the Agreement between the Federal Government of the Republic of Yugoslavia and the Government of the Republic of Bulgaria on International Combined Transport of Goods, "SM Official Gazette – International Agreements", No. 3/2003
- The Law on Ratifying the European Agreement on Important International Lines for the Combined Transport and Related Installations (in further text: "AGTC"), "SM Official Gazette – International Agreements", No. 7/2005.

Bilateral agreements on international combined transport facilitate the international combined transport of goods between two countries, with the aim of ensuring the efficient transport of goods, the protection of the environment and the development of a modern system of combined transport of goods.

AGTC enables the coordinated international plan for the development and functioning of the network of important lines for the international combined transport and related installations, which the signatory parties tend to implement within their national programs. The network for the international combined transport consists of railway lines and terminals for combined transport, border crossings, stations for changing railway gauge width and important ferry lines/ports in the international combined transport.

3.14.1.3.1.2. Institutional framework

The Ministry of Infrastructure contains the Sector for Railway and Intermodal Transport which, in turn, has the Department for Railway and Intermodal Transport. Out of planned 8 (eight) state officers, only 2 (two) currently work in the Department, and they were already accounted for in chapter **3.14.1.2.1.2. Institutional framework – Railway Transport.**

3.14.1.3.2. Short-term priorities (2008-2009)

3.14.1.3.2.1. Legislation

- The Law on Amendments and Corrections of the Law on Railways

It is planned that the Draft Law on Amendments and Corrections of the Law on Railways should contain a set of articles regulating the following:

- The sphere and types of combined transport;
- Stricter conditions, the method of indicating freight units and railway vehicles for their transport, as well as the conditions which the public railway infrastructure must fulfill in order to organize the combined transport; and
- Performing combined transport to and from the terminal for the combined transport which is in the railway network, the necessary documents for road transporters, the fees and taxes which road transporters must or do not have to pay depending on the Law, as well as other issues concerning the operational performance of combined transport.

In 2008 and 2009 the following agreements are planned to be signed:

- The Agreement between the Government of the Republic of Serbia and the Republic of Hungary on International Combined Transport of Goods
- The Agreement between the Government of the Republic of Serbia and the Government of the Republic of Slovakia on International Combined Transport of Goods

3.14.1.3.2.2. Institutions

The specific aims of the Strategy in the sphere of intermodal transport in the Republic of Serbia are as follows:

1. Development and increase of intensity of intermodal transport in the Republic of Serbia via the action plan for the development of intermodal transport and the model of financial support;
2. Coordinated implementation of the activities in the sphere of intermodal transport in the Republic of Serbia by the Ministry of Transport and other state organs;
3. In 2010, coordination of the regulations in the sphere of intermodal transport with the EU regulations from 2005;
4. Creation of basic capacities of terminals for intermodal transport via the enhanced existing transport infrastructure of all types of transport according to the principle of modality;
5. Implementation of market-oriented control by the expert and professional staff which enables the access to competitive operators.

In the short-term period, attention will be focused on the project of institutional capacity-building and enabling intermodal transport in the Republic of Serbia via the EU Instrument of Pre-Accession Assistance (IPA 2008-2009).

3.14.1.3.3. Middle-term priorities (2010-2011)

3.14.1.3.3.1. Legislation

In order to improve the balance of means of transport in favor of ecologically cleaner and safer transport which disencumbers roads, it is necessary to create a legal framework for intermodal transport by the means of regulations for:

- Railway and road transport,
- Safety in road transport,
- Tax relief,
- Environment protection, etc.

The aforementioned regulations will be created with the aim of:

- Adjusting the railway infrastructure and border-crossing procedure in railway transport to the international regulations and norms which regulate intermodal transport, which, in turn, ensures the precise and reliable service;
- Enabling customs and inspection operation to be performed on terminals for intermodal transport, ports, dispatching and destination railway stations, in order to accelerate the process of customs inspection, with the aim of keeping trains at border-crossings no longer than 30 minutes (according to AGTC);
- Enabling road transporters who transport goods to/from the terminal for intermodal transport to avoid possible traffic bans (at weekends and on state holidays), enabling the conditions for the traffic of road vehicles of total maximum weight of 44 tons without additional fees, excepting foreign road transporters from owning permits which regulate the international road transport, etc.
- Enabling financial aid (subventions) for the development of necessary capacities for intermodal transport (infrastructure, transport and equipment);
- Introducing fiscal incentives for intermodal transport (for utility equipment, containers, road vehicles, etc.), exemption from tax regulations, enabling favorable loan arrangements for the development of intermodal transport, etc.

Also, the national legislation would also introduce Directive 92/106/EEC on combined transport of goods, and in the middle-term period it is necessary to initiate the cooperation between the Republic of Serbia and the EU regarding Directive 1692/2006 EC (Marco Polo Program II).

3.14.1.3.3.2. Institutions

The middle-term priorities defined in the Strategy for Capacity-Building of Institutional Framework are the following:

- Capacity-building of the institutional framework and awareness-raising of the authorized state organs, directorates and legal officers regarding intermodal transport;
- Clearly defining the role and relations among all the parties in intermodal transport chain – the state, intermodal transport operators, the railway, terminal owners, road transporters, forwarding agents, ports, etc.

- Forming business companies which deal with the organization and development of intermodal transport, their connection with European associations for intermodal transport and membership in international associations, etc.

3.14.2. Water transport

3.14.2.1. Current situation

3.14.2.1.1. Legal framework

In the sphere of water transport two laws are implemented:

- The Maritime and Inland Navigation Law (“FRY Official Gazette”, No. 12/98, 44/99, 74/99 and 73/2000) and
- The Law on Inland Waterways Navigation (“FRS Official Gazette”, No. 54/90 and “RS Official Gazette”, No. 53/93, 67/93, 48/94 and 101/05).

The Maritime and Inland Navigation Law regulates the safety of navigation at sea and inland waterways of the Federal Republic of Yugoslavia, as well as on seacoast and inland waterways in the Federal Republic of Yugoslavia, the state conformity, the identification and register of ships, the basic ownership- and legal relationships regarding ships, ship owners, obligation relationships regarding ships, navigation accidents, the safety process on ships, as well as the authorized law and courts in the Federal Republic of Yugoslavia under whose jurisdiction the international lawsuits belong.

The Law on Inland Waterways Navigation regulates the transport, safety, conditions and method of use, maintenance, designation and protection of inland waterways, ports, winter shelters and moorings of boats and other floating devices, the process in case of a navigation accident and inspection.

In order to implement the Law on Inland Waterways Navigation, a large number of sublegal acts were passed. Some of them are as follows:

- The Regulation on the program of the expert exam and the method of exam administration in order to acquire the title of a ship crew member for inland waterways navigation of the Yugoslav Commercial Fleet (“FRY Official Gazette, No. 20/98), which stipulates the program and the method of exam administration in order to acquire the title of a ship crew member for inland waterways navigation
- The Regulation on determining names, signs and call signs of ships, and registering names, signs and call signs of ships (“FRY Official Gazette”, No. 51/98), which stipulates the method of determining names, signs and call signs of ships
- The Regulation on the method and conditions of operation of the wireless service for navigation safety (“FRY Official Gazette”, No. 72/99), which stipulates that the method and conditions of operation of the wireless service for navigation safety on ships belong under the jurisdiction of the provisions of the Wireless Regulation.
- The Regulation on the conditions which must be fulfilled by coastal and naval wireless sets (“FRY Official Gazette”, No. 72/99), which stipulates that coastal and naval wireless sets must fulfill the conditions from the Wireless Regulation.

- The Regulation on content, forms and the method of keeping ship documents and the ship register of the commercial fleet of the Socialist Federal Republic of Yugoslavia (“SFRY Official Gazette”, No.16/80, 25/88 and “FRY Official Gazette”, No. 6/93), which stipulates the type, content, forms and the method of maintaining the ship register and keeping the documents of the ships of the FRY commercial fleet;
- The Regulation on the titles, the conditions for acquiring titles and the authorization of the crew members on inland waterway navigation for the commercial fleet of the Federal Republic of Yugoslavia (“SFRY Official Gazette”, No. 32/82, 30/83, 30/87 and (“FRY Official Gazette”, No. 25/96), which stipulates the titles, the conditions for acquiring titles and the authorization of the crew members on inland waterway navigation;
- The Regulation on maritime and staff identity cards for navigation, as well as boarding permits (“SFRY Official Gazette”, No. 13/81), which stipulates maritime and staff identity cards for navigation, as well as staff boarding permits for maritime and inland navigation;
- The Regulation on inland waterway navigation (“SFRY Official Gazette”, No. 10/91), which stipulates that the waterways belong to the jurisdiction of the General provisions of the navigation on the Danube, passed by the Danube Commission at the 48. Sitting on April 25, 1990;
- The Regulation on avoiding maritime accidents (“FRY Official Gazette”, No. 4/79, 25/86, 84/89);

In order to implement the Law on Inland Waterways Navigation, sublegal acts have been passed, including the following:

- The Regulation on determining the capability of boats and floating vessels for navigation (“RS Official Gazette”, No. 28/96), which stipulates the method of the capability of boats and floating vessels for navigation
- The Regulation on registering boats and floating vessels into the navigation permit (“RS Official Gazette”, No. 111/2007), which stipulates the method of registering boats and floating vessels into the navigation permit
- The Regulation on special health conditions which must be observed by the persons authorized for operating the floating vessels of the commercial fleet (“SRS Official Gazette”, No. 29/83), which stipulates the health conditions which must be observed by the persons authorized for operating the floating vessels of the commercial fleet.

The Maritime and Inland Navigation Law and the Law on Inland Waterways Navigation do not conform to EU regulations.

3.14.2.1.2. Institutional framework

The sphere of waterborne transportation is regulated by the Ministry of Infrastructure, according to Article 12 of the Law on Ministries (“RS Official Gazette”, No. 43/2007).

Within the Ministry of Infrastructure, there is the Department for Waterborne Transportation and Safe Navigation for legal, research, analytical, supervisory and managing operations in the sphere of waterborne transport and safe navigation. The Department operates at the Ministry’s seat, joint regional

units and regional units responsible for several cities (port authorities). The Department comprises the following units: Division for Waterborne Transport and Port Authorities: Prahovo, Kladovo, Veliko Gradiste, Smederevo, Pancevo, Belgrade, Sremska Mitrovica, Titel, Senta, Novi Sad, Backa Palanka, Apatin and Bezdan. The Division for Waterborne Transport has 9 employees, whereas the port authorities employ 53 members of staff.

The Directorate for Inland Waterways “Plovput” was formed according to Article 40 of the Law on Ministries (“RS Official Gazette”, No. 43/2007) and it performs expert activities and state supervision for maintaining waterways; positioning and maintaining the objects for safe navigation in good condition; hydrographic recording of waterways and following and analysis of their condition, as well as reporting on their state; researching and creating project documentation in the sphere of safe navigation and the regulation of river waterways; supervision over works on waterways; issuing permits for building hydro engineering objects, ports, docks, bridges and marines; issuing permits for placing pipes and cables in waterways and giving opinion on placing floating devices which move only infrequently; organizing and developing river informational services; maintaining and development of international and inter-state waterways; determining winter shelters, moorings and harbors on international and inter-state waterways, as well as other operations defined by Law. The Direction for Inland Waterways “Plovput” employs 146 officers.

By the Regulation on Federal Public Institution – Yugoslav Register of Inland Navigation Ships (“FRY Official Gazette”, No. 14/97), the Federal Public Institution – Yugoslav Register of Inland Navigation Ships “YUGOREGISTAR” was formed.

Within the Twinning project – First conformity with Acquis communautaire -- 3 employees from the Department of Waterborne Transport and Safe Navigation have attended the training in the sphere of transport, participating in workshops and research trips. Within the project of institutional capacity-building in the sphere of transport, 4 employees have been trained, having participated in workshops and research trips.

3.14.2.2. Short-term priorities (2008-2009)

3.14.2.2.1. Legislation

In 2008 and 2009, a **Draft Law on Inland Waterway Navigation** is planned. The Draft Law ought to regulate the safety of navigation on Serbian inland waterways (waterways, port authorities, navigation and piloting, ports and docks, ships, ship registers and documents, boats and floating devices, ship crews, inspections, ships belonging to different states, the registration of ships and floating devices, transport (international, inland, private), navigation accidents, recovering sunk objects, legal regulations and court jurisdiction, as well as temporary and final directives.

That Law will conform to EU regulations, and will replace the existing Law on Inland Waterway Navigation and the part of the Maritime and Inland Navigation Law which refers to inland waterway navigation.

It is planned that the Draft Law on Inland Waterway Navigation should fully conform to the following EU directives: Directive 96/50/EEC on the harmonization of the conditions for obtaining national boatmasters' certificates for the carriage of goods and passengers by inland waterway in the Community, Directive 87/540/EEC on access to the occupation of carrier of goods by waterway in national and international transport, Directive 2006/87/EEC on technical requirements for inland waterway vessels, amended and corrected by Directive 2006/137/EC, Directive 91/672/EEC on the reciprocal recognition of national boatmasters' certificates for the carriage of goods and passengers by inland waterway, Directive 76/135/EC on reciprocal recognition of navigation licenses for ships on inland waterways, Directive 1356/96 EC on common rules applicable to the transport of goods or passengers by inland waterway among Member States, Directive 1321/91 EEC concerning conditions

under which foreign transporters can transport goods or passengers on inland waterways in a Member State, Directive 96/75/EC on the systems of chartering and pricing in national and international inland waterway transport in the Community, Directive 718/1999 EC on a Community-fleet capacity policy to promote inland waterway transport, Directive 2005/44/EC on harmonized river information services (RIS) on inland waterways in the Community, Directive 414/2007 EC concerning the technical guidelines for the planning, implementation and operational use of river information services (RIS) and Directive 415/2007 EC concerning the technical specifications for vessel tracking and tracing systems, etc.

When the new Law on Inland Waterways Navigation is passed, it is necessary to pass the ensuing sublegal acts to enable its implementation.

3.14.2.2.2. Institutions

In 2008 and 2009 it is intended to regulate the legal status of the Federal Public Institution – Yugoslav Register of Inland Navigation Ships “YUGOREGISTAR”, which continued to operate according to the regulations passed during the Federal Republic of Yugoslavia, on the basis of which it was formed, since no suitable regulations have still been passed in the Republic of Serbia.

The Department of Waterborne Transport and Safe Navigation will suggest the Ministry Office capacity-building, the increase in the number of expert officers, the professional development of employees and equipment acquisition in order to execute the plans and follow the traffic on inland waterways; it is especially necessary to enhance the part of the Department which will directly participate in creating the Draft Law and sublegal acts, the safe navigation inspection which will control its implementation, as well as state organizations which maintain and mark waterways and perform technical supervision of floating devices.

3.14.2.3. Middle-term priorities (2010-2012)

3.14.2.3.1. Legislation

The Draft Maritime Navigation Law and the Draft Law on Legal Property Relationships on Ships are planned. The responsible institution for preparing both Draft Laws is the Ministry of Infrastructure.

The Draft Maritime Navigation Law will regulate ships, ship registers and documents, ships belonging to different states, registering ships, crews on maritime ships, etc.

The Draft Maritime Navigation Law ought to fully conform to the following EU directives: Directive 2001/25 and 2005/45 EC on the minimum level of training of seafarers, Decision 2007/431/EC authorizing Member States to ratify, in the interests of the European Community, the Maritime Labor Convention, Directive 94/57/EC and 2002/84/EC on common rules and standards for ship inspection and survey organizations and for the relevant activities of maritime administrations and Directive 96/98/EC and 2002/84/EC on Marine Equipment (MED), etc.

When the Draft Maritime Navigation Law is passed, it is necessary to pass all the sublegal acts to enable its implementation.

Also, it is planned that in the period between 2010 and 2012 a Draft Law on Legal Property Relations on Ships ought to be prepared, which would regulate the basic legal property relations for ships, sailors, obligation relations in terms of ships, the security process on ships, etc.

Expert assistance will be needed from relevant RS institutions, and especially the Ministry of Finance.

3.14.2.3.2. Institutions

Between 2010 and 2012, the Department of Waterborne Transport and Safe Navigation will suggest the Minister's Office the capacity-building of the Ministry of Transport, the professional development of employees – especially those Department officers who will directly participate in creating the Draft Maritime Navigation Law and sublegal acts – as well as the development of state organizations which maintain floating devices and perform their technical supervision.

It is necessary to employ new officers in the Department and the state organization which performs the technical supervision of floating devices, in order to enhance Serbian waterborne transport and meet the planned activities.

3.14.3. Air transport

3.14.3.1. Current situation

3.14.3.1.1. Legal framework

Air transport is regulated by the following regulations:

- The Air Transport Law (“FRY Official Gazette”, No. 12/98, 44/99, 73/2000, 70/2001 and “RS Official Gazette”, No. 101/2005);
- Law on Obligation Relations and Basic Legal Property Relations in Air Transport (“FRY Official Gazette”, No. 12/98);
- Ratified international contracts;
- Sublegal regulations passed in order to implement the Air Transport Law;
- The Decision on founding the Directorate for Civil Aviation of the State of Serbia and the State of Montenegro (“RS Official Gazette”, No. 101/2003).

The Air Transport Law regulates the conditions for safe air transport in the air space of the Republic of Serbia, and especially: airplanes, airports, authorized and expert air officers, safety of air transport, public air transport and other operations in air transport; it also examines airplane safety risks, search and rescue of airplanes, airplane accident examination, airplane inspection and offences in air traffic.

The Air Transport Law only partially conforms to *acquis communautaire* in the sphere of air transport, because the basic text of the Law was passed in 1988. On the basis of that Law, numerous sublegal acts (about 80) were passed. Here are some of them:

- Regulation on ensuring continuous usage of airplanes and aviation products (“RS Official Gazette”, No. 50/2008);
- Regulation on technical aviation staff who maintain airplanes (JAR 66) (“RS Official Gazette”, No. 49/2008);
- Regulation on the conditions which an organization for the maintenance of airplanes and aviation products must fulfill (JAR 145) (“RS Official Gazette”, No. 46/2008);

- Regulation on the conditions which an organization for training technical aviation personnel for airplane maintenance must fulfill (JAR 147) (“RS Official Gazette”, No. 46/2008);
- Regulation on the conditions for issuing certificates for performing public air transport (“RS Official Gazette”, No. 33/2008);
- Regulation on permits and centers for the training of airplane pilots (“RS Official Gazette”, No. 30/2008);
- Regulation on identity documents of air inspectors of the Directorate for Civil Aviation of the Republic of Serbia (“RS Official Gazette”, No. 30/2008);
- Decision on determining a supervisory body of the Republic of Serbia for air transport (“RS Official Gazette”, No. 30/2008);
- Regulation on permits and centers for the training of helicopter pilots (“RS Official Gazette”, No. 56/2007, 83/2007);
- Decision on applying the conditions of the implementation of the System of Route Navigation Fees and the system of payment (“RS Official Gazette”, No. 75/2007);
- Directive on determining border corridors (“RS Official Gazette”, No. 9/2006);

The Law on Obligation Relations and Basic Legal Property Relations in Air Transport regulates the obligation relations in air transport and the basic legal property relations on board airplanes. According to that Law, obligation relations in air transport are those originating from the contracts for passenger transport, contracts for freight transport, contracts for medical transport and air services, contracts for airplane renting, contracts for insurance in air transport, as well as relations originating from possible damage caused by a flying airplane to third parties.

Based on this Law, a Decision on maximal fees for the responsibility of air transporters in aviation (“FRY Official Gazette”, No. 12/99) was passed.

The Republic of Serbia has ratified numerous international contracts in the sphere of air transport, the following being the most significant:

- Convention on International Civil Aviation (Chicago, 07.12.1944, ratified on 28.11.1953, PS No. 280 and Annex “FNRJ Official Gazette”, No. 3/54);
- International Air Services Transit Agreement, signed in Chicago on 07.12.1944 (“SFRY Official Gazette – International Contracts”, No. 9/77);
- Convention on the International Recognition of Rights in Aircraft (Geneva, 19.06.1948. (“SFRY Official Gazette – International Contracts”, No. 7/91);
- Convention for the Unification of Certain Rules Relating to International Carriage by Air (Warsaw, 12.10.1929), ratified on 03.03.1931 and published in the Official Gazette of the Kingdom of Yugoslavia 124-XXXVII on 05.06.1931.
- Convention on Offences and Certain Other Acts Committed on Board Aircraft (Tokyo, 14.09.1963) (“SFRY Official Gazette”, No. 47/70 (annex));

- Convention for the Suppression of Unlawful Seizure of Aircraft (The Hague, 16.12.1970) (“SFRY Official Gazette”, No. 33/72);
- Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation (Montreal, 23.09.1971) (“SFRY Official Gazette”, No. 3/72);
- International Agreement on the procedure for the establishment of tariffs for intra-European scheduled air services, signed in Paris, 16.06.1987, ratified by Directive of 30.10.1987;
- International Agreement on the sharing of capacity on intra-European scheduled air services, signed in Paris on 16.06.1987, ratified in 1989.
- Memorandum on Agreement on the procedure for the establishment of tariffs across North Atlantic (ECAC-USA), ratified in 1988;
- Protocol consolidating the EUROCONTROL International Convention relating to the co-operation for the safety of air navigation RS – EUROCONTROL, of 13.12.1960 (“SM Official Gazette”, No. 18/2004);
- Protocol to the European Union joining the International Convention on Cooperation in Civil Aviation (“SM Official Gazette – International Contracts”, No. 4/2005);
- The final document of the Diplomatic Conference on the Protocol amending the Convention on International Civil Aviation (“SM Official Gazette – International Contracts”, No. 4/2005);
- Multilateral agreement on route navigation fees (“SM Official Gazette – International Contracts”, No. 4/2005);
- Convention on the Marking of Plastic Explosives for the Purpose of Detection (“SM Official Gazette”, No. 11/2005).

Apart from the aforementioned, the Republic of Serbia has signed and ratified numerous bilateral agreements in the sphere of air transport, out of which 20 with the member states of the European Union.

The Republic of Serbia is a signatory of the Horizontal Agreement on Certain Aspects of Air Services between the European Union the State Union of Serbia and Montenegro – Salzburg, 05.05.2006. That Agreement is in the process of ratification, and is temporarily implemented from the date of signature. Based on the Agreement, certain provisions of bilateral agreements with member states of the European Union have been amended in order to adjust the provisions on property, control of transporters, fuel tax and tariffs within EU traffic to the EU regulations.

The Republic of Serbia has signed a Multilateral Agreement between the European Union and its member states, the Republic of Albania, Bosnia and Herzegovina, the Republic of Bulgaria, the Republic of Croatia, former Yugoslav Republic of Macedonia, the Republic of Island, the Republic of Montenegro, the Kingdom of Norway, Romania, the Republic of Serbia and United Nations Interim Administration Mission in Kosovo (UNMIK) on determining the European Common Aviation Area (ECAA) – Brussels, 29.06.2006. That agreement is in the process of ratification.

Among others, that Agreement defines transitional arrangements for the Republic of Serbia and the Directorate for Civil Aviation of the Republic of Serbia is intensively working on fulfilling the conditions for the first transition period. In that sense, the Republic of Serbia has already fulfilled the following obligations:

- It has become a full member of the European Joint Aviation Authorities (JAA) (14.12.2006);
- It has separated the aviation service provider and the regulatory body;
- It has founded a supervisory body for the Republic of Serbia;
- It has joined, as an observer, the European Aviation Safety Agency (EASA).

3.14.3.1.2. Institutional framework

Air transport is within the scope of the activities of the Ministry of Infrastructure and the Directorate for Civil Aviation of the Republic of Serbia. The Ministry of Infrastructure performs the operations of state authority in the sphere of air transport regarding: organization and security of the transport system, organization and security of technical-technological transport systems, obligation and legal property relations, transport development strategy, development plans and plans concerning the organization of the transport system and the organization of transport.

Directorate for Civil Aviation of the Republic of Serbia was founded according to the Decision on Founding the Directorate for Civil Aviation of the State of Serbia and the State of Montenegro (“RS Official Gazette”, No. 101/2003), as a joint body of the government of the Republic of Serbia and the government of the Republic of Montenegro. The government of the Republic of Serbia passed a Decision on performing founding rights in the Directorate for Civil Aviation of the State of Serbia and the State of Montenegro; therefore, according to the Conclusion of the government of the Republic of Serbia (“RS Official Gazette”, No. 12/2007), the name of the body was changed.

The Directorate for Civil Aviation performs the operations concerning: passing sublegal regulations in the sphere of air transport, the implementation of international standards and recommendations in that sphere, issuing certificates, permits, authentications and other acts, as well as the supervision of the implementation of regulations in the sphere of air transport.

The Republic of Serbia is a member of numerous aviation organizations, such as: the International Civil Aviation Organization (ICAO), European Civil Aviation Conference (ECAC), the European Organization for the Safety of Air Navigation (EUROCONTROL), European Joint Aviation Authorities (JAA), etc.

3.14.3.2. Short-term priorities (2008-2009)

3.14.3.2.1. Legislation

The Republic of Serbia is intensively working on the creation of conditions for the implementation of *acquis communautaire* in the sphere of aviation, the priorities being:

- passing the Civil Aviation Law conforming to the following EU directives: Directive 94/56/EC establishing the fundamental principles governing the investigation of civil aviation accidents and incidents, Directive 2003/42/EC on occurrence reporting in civil aviation, Directive 2002/2003 EC on the continuing airworthiness of aircraft and aeronautical products, parts and appliances, and on the approval of organizations and personnel involved in these tasks, Directive 96/67/EC on access to the groundhandling market at Community airports, Directive 2000/79/EC concerning the European Agreement on the Organization of Working Time of Mobile Workers in Civil Aviation concluded by the Association of European Airlines (AEA) and the European Transport Workers' Federation (ETF). The Law will provide the basic provisions from those directives and the foundation for passing sublegal acts fully conforming to EU regulations.
- passing the Law on the Confirmation of the Convention for the Unification of Certain Rules Relating to International Carriage by Air (Montreal Convention) (the procedure is in progress);
- passing the Horizontal Agreement on Certain Aspects of Air Services;

- passing the Multilateral Agreement on Determining the European Common Aviation Area (ECAA Agreement).

It is intended to pass sublegal acts for implementing the Law regarding safety and security of civil aviation, owing to which the legal system will in the future conform to the following EU directives: Directive 3922/91 EEC on the harmonization of technical requirements and administrative procedures in the field of civil aviation, Directive 94/56/EC establishing the fundamental principles governing the investigation of civil aviation accidents and incidents, Directive 1592/2002 EC on common rules in the field of civil aviation and establishing a European Aviation Safety Agency, Directive 2003/42/EC on occurrence reporting in civil aviation, Directive 1702/2003 EC laying down implementing rules for the airworthiness and environmental certification of aircraft and related products, parts and appliances, as well as for the certification of design and production organizations, Directive 2042/2003 EC on the continuing airworthiness of aircraft and aeronautical products, parts and appliances, and on the approval of organizations and personnel involved in these tasks, Directive 2111/2005 EC on the establishment of a Community list of air carriers subject to an operating ban within the Community and on informing air transport passengers of the identity of the operating air carrier, and repealing Article 9 of Directive 2004/36/EC, Directive 2320/2002 EC establishing common rules in the field of civil aviation, Directive 622/2003 EC laying down measures for the implementation of the common basic standards on aviation security, Directive 1217/2003 EC laying down common specifications for national civil aviation security quality control programs, Directive 1486/2003 EC laying down procedures for conducting Commission inspections in the field of civil aviation security, Directive 1138/2004 EC establishing a common definition of critical parts of security restricted areas at airports, Directive 2409/92 EEC on fares and rates for air service, Directive 96/67/EC on access to the groundhandling market at Community airports and Directive 2000/79/EC concerning the European Agreement on the Organization of Working Time of Mobile Workers in Civil Aviation concluded by the Association of European Airlines (AEA) and the European Transport Workers' Federation (ETF).

3.14.3.2.2. Institutions

Capacity-building of existing institutions and increasing the number of employees, according to the stated plan is needed.

Forming a functionally independent body for the investigation of navigation accidents and incidents is planned.

3.14.3.3. Middle-term priorities (2010-2012)

3.14.3.3.1. Legislation

The Law on Obligation Relations and Basic Legal Property Relations in Air Transport is to be amended and corrected with the aim of adjusting it to international agreements and EU regulations. Also, sublegal acts for the implementation of the Law on Obligation Relations and Basic Legal Property Relations in Air Transport are to be passed, as well as sublegal acts for the implementation of the Civil Aviation Law, which should introduce the provisions to whose observance the second interim period of ECAA Agreement obliges: Directive 2407/92 EEC on licensing of air carriers, Directive 2408/92 EEC permitting air carriers from all Member States access to all intra-Community routes, Directive 95/93 EEC on common rules for the allocation of slots at Community airports, Directive 785/2004 EC on insurance requirements for air carriers and aircraft operators, Directive 549/2004 EC on the creation of the single European sky, Directive 550/2004 EC on the provision of air navigation services in the single European sky, Directive 551/2004 EC on the organization and use of the airspace in the single European

sky, Directive 552/2004 EC on the interoperability of the European Air Traffic Management network, Directive 2096/2005 EC on common requirements for the provision of air navigation services, Directive 2150/2005 EC laying down common rules for the flexible use of airspace and Directive 89/629/EEC on the limitation of noise emission from civil subsonic jet airplanes.

3.14.3.3.2. Institutions

Capacity-building of the existing institutions and increasing the number of employees, according to the aforementioned plan is needed.

The need of state institutions for new employees

Name of institution	Whether the institution exists or is planned	Current number of employees	Planned (overall) number of employees (annual)				
			2008	2009	2010	2011	2012
Directorate for Civil Aviation	Existing	108	108	111	114	118	122
Total		108	108	111	114	118	122

3.15. ENERGY SECTOR

3.15.1. Energy market and security of supply

3.15.1.1. Situation

3.15.1.1.1. Legislative framework

The Law on the Ratification of the Treaty establishing the Energy Community between the European Community and the Republic of Albania, Republic of Bulgaria, Bosnia and Herzegovina, the Republic of Croatia, Former Yugoslav Republic of Macedonia, the Republic of Montenegro, Romania, the Republic of Serbia and United Nations Interim Administration Mission in Kosovo pursuant to the Security Council Regulation 1244 (“The Official Gazette RS”, No. 62/2006), establishing a unique legal framework for electricity and natural gas trade in the Southeastern Europe and the EU.

The Energy Law (“The Official Gazette RS”, No. 84/2004), adopted in 2004; it initiated both the energy sector reform process, with an aim to secure the preconditions for the development and more efficient work of all the entities performing energy activities and the harmonization of this law with the European Union regulations. This law regulates the following: energy policy objectives and the way to implement it, the method for energy market organization and functioning, conditions for regular and good-quality energy supply of customers, conditions for enabling safe, reliable and efficient energy production, transmission systems management, energy transport and distribution and methods to perform energy activities, conditions for energy efficiency and environment protection implementation in energy activities performance.

Based on this Law, the following acts were adopted:

1. Energy Sector Development Strategy of the Republic of Serbia until 2015 (“The Official Gazette RS”, No. 44/2005) defining the following: long-term objectives of the development of certain energy activities, development priorities, sources and the manner necessary energy, i.e. energy carriers quantities are secured, incentive measures for investment in energy facilities which will use renewable energy sources, incentive measures for energy efficiency increase, conditions and manner for ensuring environment protection and the measures for its implementation and other elements significant for the realization of energy policy objectives.
2. The Decree on the Establishment of the Program for the Realisation of the Energy Sector Development Strategy of the Republic of Serbia until 2015 for the period 2007-2012 (“The Official Gazette of RS”, No. 17/2007 and 73/2007), defining the following: the conditions, manner and dynamics of Strategy implementation, energy facilities that should be constructed and the concessions to be given for the energy facilities construction, taking into consideration forecast energy and energy carriers consumption, energy efficiency, the possibilities for renewable energy sources usage, the possibility to use efficient technologies for energy and energy carriers production, stimulation for energy sector investments, measures for environment protection and other elements significant for Strategy implementation.
Based on the Energy Law, a great number of by-laws were adopted. Some of them are given in the following list:
3. The Decree on the Conditions for Power Delivery (“The Official Gazette RS”, No. 107/2005)
4. The Decree on the Conditions for Natural Gas Delivery (“The Official Gazette RS”, No. 47/2006)

5. The Rulebook on the Criteria for Issuing Energy Permit, the Content of the Request and the Method for Issuing Energy Permit (“The Official Gazette RS”, No. 23/2006)
6. The Decision on the Establishment of the Public Enterprise for Electricity Generation, Distribution of and Trade (“The Official Gazette RS”, No. 12/2005)
7. The Decision on the Establishment of the Public Enterprise for Electricity Transmission and Transmission System Management (“The Official Gazette RS”, No. 12/2005 and 58/2005)
8. The Decision on the Establishment of the Joint Stock Enterprise for Oil and Oil Derivatives Exploration, Processing, Distribution and Trade and Natural Gas Exploration and Production (“The Official Gazette RS”, No. 60/2005)
9. The Decision on the Establishment of the Public Enterprise for Oil Transport by Oil Pipelines and Oil Derivatives Transport by Product-lines (“The Official Gazette RS”, No. 60/2005 and 83/2005)
10. The Decision on the Establishment of the Public Enterprise for Natural Gas Transport, Storing, Distribution and Trade (“The Official Gazette RS”, No. 60/2005 and 51/2006).

The harmonization of the Energy Law with the European Union regulations related to the internal market is made so as to secure necessary conditions of regional energy entities connection, equal energy market status of the entities, the same energy user protection rate and other conditions providing gradual energy market opening. Thereby, operational conditions are provided for energy entities operating on the territory of the Republic of Serbia. These operational conditions are essential in technical, technological and organizational sense so as to enable unhindered regional integration processes in the field of energy transmission, transport and trade and create the conditions for the involvement into the European developments as well.

1. The Directive of the European Parliament and of the Council 2003/54/EC concerning common rules for the internal market in electricity, repealing the Directive concerning the Internal Electricity Market 96/92/EC;

2. The Decision of the European Parliament and Council 1254/96/EC of June 5, 1996, defining the guidelines for trans-European energy networks so as to develop integrated infrastructure for electricity transmission.

3. The Directive of the European Parliament and Council, No. 2003/55/EC of June 26, 2003 on common rules for internal natural gas market repealing the Directive 98/30/EC of June 22, 1998;

The following laws are also significant for oil and natural gas field:

1. The following laws are also significant for oil and natural gas field: The Law on Pipeline Transport of Gas and Liquid Hydrocarbons (“The Official Gazette FRY”, No. 29/1997) regulating the conditions for safe and unhindered pipeline transport of gas and liquid hydrocarbons
2. The Law on Electricity, Construction and Steam Boilers Inspection (“The Official Gazette SRS”, No. 5/1983, 51/1983 and 45/1985).

And two decrees closely regulating oil and oil derivatives market:

- The Decree on Oil Derivatives Prices (“The Official Gazette RS”, No. 42/2005, 111/2005 and 77/2006
- The Decree on Conditions and Method for Oil, i.e. Oil Derivatives Import and Processing (“The Official Gazette RS”, No. 92/2007).

The Mining Law (“The Official Gazette RS”, No. 44/95 and 34/2006), the Law on Geological Exploration (“The Official Gazette RS”, No. 44/1995) and the Law on Determination of Mineral Raw Materials Reserves and Presentation of Geological Exploration Data (“The Official Gazette RS”, No. 12/98 and 13/1998) regulate the issues of geological exploration and exploitation of mineral raw materials; revenue generation by the state, i.e. autonomous province and local self-administration units,

these revenues being extremely important for citizens' standard of living; operation control of the enterprises performing exploitation of mineral raw materials – natural wealth owned by the state; the issue concerning the establishment of the Mining Agency.

Based on these laws, a great number of by-laws were adopted. Some of them are listed below:

1. The Rulebook on the Criteria for Determination of Potentiality of Areas concerning Mineral Raw Materials Occurrences (“The Official Gazette RS”, No. 51/1996),
2. The Rulebook on the Method for Mining Measures Performance (“The Official Gazette RS”, No. 40/1997),
3. The Rulebook on the Content of the Long-term Program for Exploitation of Mineral Raw Materials Deposits and Annual Plans for Mining Works (“The Official Gazette RS”, No. 27/1997),
4. The Rulebook on the Criteria for the Award of Geological Exploration Works and of associated Funds (“The Official Gazette RS”, No. 51/1996),
5. The Rulebook on the Content of the Feasibility Study for the Exploitation of Mineral Raw Materials Deposits (“The Official Gazette RS”, No. 108/2006),
6. The Rulebook on Royalty Payment (for mineral raw materials) (“The Official Gazette RS”, No. 102/2006).

On October 18, 2007, in Vienna, the Minister of Labour and Social Policy of the Republic of Serbia signed the Memorandum of Understanding on social issues in the Energy Community context. The Memorandum represents the expression of political will to take into consideration the consequences of the implementation of the Treaty establishing the Energy Community. The objectives of the Memorandum are as follows: the increase in social security of both energy users and the employees of the energy enterprises; a higher level of health protection and safety of the energy sector staff; the development of the social dialogue and informing and consulting the energy sector trade unions on the energy sector reform and social impacts of the reform; labour legislation harmonized with the EU regulation; provision of equal possibilities for men and women and the right to equal salary for equally valued work.

3.15.1.1.2. Institutional framework

The harmonization of the institutional framework in the energy field was made by the Energy Law.

The Ministry of Mining and Energy performs the activities concerning mining and energy.

An independent regulatory body in the energy field was established – the Energy Agency of the Republic of Serbia (AERS). The Agency is competent for the provision of protection and equal position of customers, improvement and guide of energy market development, harmonization of energy entities activities concerning the provision of regular energy supply, supervision of the implementation of regulations and working rules for energy systems as well as for other activities proscribed in the Energy Law.

The main sets of activities performed by the Agency concern the price regulation, issuing licences to energy facilities for energy activities, making decisions upon appeals of energy facilities and customers, energy market supervision and international agreements implementation.

Apart from the Council, appointed by the National Assembly, there are 28 people employed in the Agency, working on expert and administrative-technical issues.

3.15.1.2. Short-term priorities (2008-2009)

3.15.1.2.1. Legislation

In 2008 and 2009, it is planned to adopt the Law on Amendments and Supplements of the Energy Law, which would transfer the missing provisions of the Directive 2003/54/EC concerning Internal Electricity Market, the Directive 2003/55/EC concerning Internal Gas Market and the Regulation 1228/2003 concerning the Access to the Electricity Network for Cross-border Electricity Exchange into the legal system of the Republic of Serbia.

Pursuant to the obligations overtaken by signing the Treaty establishing the Energy Community ("The Official Gazette RS", No. 62/2006), it is necessary to start the transfer of the following acts into our legislation: the Directive 2001/77/EC on the promotion of the electricity produced from renewable energy source in the internal electricity market; the Regulation 1775/2005 on conditions for the access to natural gas transmission networks; the Directive 2004/67/EC of 26 April 2004 concerning measures to safeguard security of natural gas supply and the Directive 2005/89/EC concerning measures to safeguard security for electricity supply and infrastructure investment.

The Energy Law is partly harmonized with the provisions of the above given European regulations concerning electricity and gas. In order to fully harmonize with *acquis communautaire* and by the entry into force of the Law on the Ratification of the Treaty establishing the Energy Community, a requirement to amend and supplement certain provisions arose. The draft on the amendments and supplements to the Energy Law will meet this requirement.

The most important amendments and supplements to the Law providing the harmonization with *acquis communautaire* will be the following ones:

- The exemption from the free access of the third party in the event of the "take-or-pay" contract type or the construction of new infrastructure in the gas sector (the requirements of the Directive 2003/55/EC);
- The market liberalization enabling all customers to select their energy supplier according to a certain dynamics, with foreseen mechanism for the protection of the qualified buyer left without his freely selected supplier;
- The division of competitive and regulated activities in the electricity field, i.e. the division of distribution and management of the electricity distribution system, being a regulated activity and electricity supply, i.e. electricity trade with supply purpose, being a potentially competitive activity. Thereby, an equal treatment of suppliers by distributors is achieved, while the qualified buyers within the distribution system are enabled to use their right in an undiscriminating way.
- Competences of the Energy Agency of the Republic of Serbia will be amended.

After the adoption of the Law on amendments and supplements of the Energy Law, it is planned to adopt by-laws, as well as to amend and supplement the existing ones in compliance with this Law.

Pursuant to the supplements and amendments of the Energy Law, it is planned to adopt the Rules for electricity transmission system, the Rules for the operation of the electricity distribution system, the Rules on the operation of natural gas transport system, the Rules for the operation of natural gas distribution system and the Rules on the operation of natural gas storage.

In the mining field, it is necessary to implement the following activities:

1. The initiation of the operation of the Mining Agency which is established as a separate organization which will participate in the activities concerning the activities accompanying the state administration work related to the mining field, such as the supervision and forecast of production trends and the price of stock-exchange mineral raw materials and other mineral raw materials in the country and abroad and the participation in the draft of balance sheets of all mineral raw materials reserves.

Thereby, in cooperation with the Statistical Office of Serbia, the measures given in the EU recommendations concerning the observation of the data on the production and prices of mineral raw materials are realized.

2. The draft of the Strategy for the development of the mineral-raw materials complex of the Republic of Serbia which should define the measures and activities necessary for the realization of long-term objectives in the field of development and private sector attraction, implementation of modern standards in environment management and supervision, as well as strengthening the cooperation between all the participants in the field of mining industry, i.e. mining companies, local communities, non-governmental organizations, population and other interested parties.

The laws and regulations concerning the mining field are considered as the instruments for the management of resources sustainable development. The main objectives are poverty reduction on the community level, complete realization of geological capacities and achieving adequate supply of local mineral resources, being part of national interest. Thereby, it is necessary to make legal and fiscal reforms so as to strengthen macroeconomic stability and contribute to the sustainable development in a positive way.

The National Strategy of Republic of Serbia for SCG EU Accession and the Action Plan for the Implementation the European Partnership also define the priorities for all the sectors, including the mining sector. It encompasses the reform of the public administration, strengthening the structures and capacities, strengthening the structures for European integrations, introduction of more prompt procedures for licenses award, the development of local groups for operation support, approximation of legislation to the EU standards, the draft of the sustainable development strategy and strengthening of the private sector through competitive markets.

The strategy of the development of mineral-raw materials complex of the Republic of Serbia and the operation of the Mining Agency would enable the adoption of the measures for Coal industries upgrade in accordance with the EU regulations.

3.15.1.2.2. Institutions

The capacities of the Ministry of Mining and Energy and the Energy Agency of the Republic of Serbia will be built by further professional development and additional education of the employees and purchase of equipment so as to enable the review of the market situation, propose the measures for further improvement of the energy policy and the preparation of possible amendments of the Law and by-laws, in accordance with the developments on the market of Serbia.

3.15.1.3. Middle-term priorities (period 2010-2012)

3.15.1.3.1. Legislation

Make an analysis of harmonization of the law regulating the issues important for the market and security of supply in the energy field so as to make harmonisation with the European Union regulations, above all with the regulations to which the Energy Law is not completely harmonized: the Directive 2001/77/EC on the promotion of the electricity produced from renewable energy source in the internal electricity market; the Regulation 1775/2005 on conditions for the access to natural gas transmission networks; the Directive 2004/67/EC of 26 April 2004 concerning measures to safeguard security of natural gas supply and the Directive 2005/89/EC concerning measures to safeguard security for electricity supply and infrastructure investment.

In the mining field, it is necessary to make amendments of the Law on Geological Exploration for the purpose of harmonization with the European Union, i.e. with the Directive 94/22/EC on the

conditions for granting and using authorizations for geological exploration of oil and gas, mineral raw materials of general interest.

The Ministry of Trade and Services and the Directorate for Commodity Reserves will prepare a new Law on republic commodity reserves in compliance with the Directives 2006/67/EC, 68/416/EEC; 73/238/EEC; 68/414/EEC and 77/706/EEC, concerning the obligatory oil and oil derivatives reserves. This law will regulate the issue of obligatory oil and oil derivatives reserves in compliance with the EU regulations (90 daily production) and foresee the establishment of the new organization unit within the Directorate for Commodity Reserves, performing the activities related to the obligatory oil and oil derivatives reserves.

Based on the adopted law, by-laws will be adopted, proscribing the way and conditions for the establishment of obligatory oil and oil derivatives reserves in more detail, so as to provide the reserves adequate to 90 daily consumption achieved last year.

3.15.1.3.2. Institutions

The capacities of the Ministry of Mining and Energy and the Energy Agency of the Republic of Serbia will be strengthened according to the following dynamics:

Table 1.

Governmental institutions' recruitment needs
Ministry of Mining and Energy and the Energy Agency of the Republic of Serbia

The name of institution	Name whether the institution is the existing one or a planned one	Current number of employees	Planned (total) number of employees (for each year)				
			2008	2009	2010	2011	2012
Ministry of Mining and Energy	Existing	4	10	13	16	18	19
AERS	Council	5	5	5	5	5	5
	Service	28	28	35	35	40	40
Mining Agency	Planned	0	1	3	4	6	6
Total							

Ministry of Trade and Services and the Directorate for Commodity Reserves

The name of institution	Name whether the institution is the existing one or a planned one	Current number of employees	Planned (total) number of employees (for each year)				
			2008	2009	2010	2011	2012
Ministry of Trade and Services	Existing	4	6	8	10	12	14
Directorate for Commodity Reserves	Existing	5	8	10	13	16	20
Total		9	14	18	23	28	34

3.15.1.4. Financial needs

Table 2B. The **Budget** of the Ministry of Mining and Energy – local sources of financing in €

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities					
The institutions building (premises, staff, equipment, etc.)	1,000,000	1,000,000	1,000,000	1,000,000	
Infrastructure					

Table 2C. The **Budget** of the Ministry of Mining and Energy – foreign sources of financing (*Twinning*, technical assistance, IPA/bilateral)

	in 2008	in 2009	in 2010	in 2011	In 2012
Activities (<i>policy</i>)					
The institutions building (premises, staff, equipment, etc.)	The needs are given in description	The needs are given in description	The needs are given in description	The needs are given in description	
Infrastructure					

BUDGETARY PART

Self-funds

The Decision on the amendment of the Decision on the assignment of the funds proscribed the Law on Budget of the Republic of Serbia for 2008 for the realization of the National Investment Plan (“The Official Gazette RS”, No. 41/08), 2,000,199,822 RSD were approved for the Ministry of Mining and Energy for 2008. These funds are planned for infrastructure development – the reconstruction of electricity network and facilities, construction of the distribution gas pipeline on the local level, gasification of municipalities and construction of the underground natural gas storage “Banatski dvor”.

FOREIGN FINANCING SOURCES

Foreign assistance funds for the realization of current projects in 2008-2009

Norwegians -2008

„ Finalization of GIS (Geographical Information System) E- Government Application for Monitoring and Evaluation of Mineral Resources related to Mining Operations Exploration“ - € 324,590

„ Norwegian assistance to Serbia for introduction of the new energy efficiency policy and establishment of energy planning on a local level“ . – € 160,000

„Study on Capacity Building of the Republic of Serbia in the field of Strategic Planning in the Energy Sector“ - € 229,830

Japan - 2008

The Japanese development study program – „Study for the introduction of the energy management in consumption sectors in Serbia”

The Ministry applied in September 2007. The program was approved in April 2008.

KfW

„The Rehabilitation of the Local District Heating System in 6 cities of Serbia” – € 20 million (€ 12 million – grant, € 8 million soft loan given by the KfW and € 5,5 million – subsidies of the Republic of Serbia)

EAR

„Feasibility Study for renewable energy sources – mini hydro-power plants”. Approved budget for this project is € 1 million.

IPA

- is within the signed financial agreement between the Serbian Government and the Community of the European Community concerning the National Program for the Republic of Serbia related to the first IPA component. The assistance to the transition – institutions building for 2007 are within the following Projects:

Project 21: The reduction of emissions from the Thermal Power Plant Nikola Tesla - € 12 million

The Republic of Serbia is obligated to fulfill the obligations concerning environment pursuant to the Treaty establishing the Energy Community (the Directive 2001/80/EC (on the limitation of emissions of certain pollutants into the air from) large combustion plants). Since they belong to a pollutants category, harmful emissions from the Thermal Power Plant Nikola Tesla must be reduced, thus two electrostatic filters must be reconstructed.

Project 35: The support to the implementation of the Treaty establishing the Energy Community - € 6 million.

This Project has two basic objectives. The first one is strengthening the capacities and technical capabilities of state institutions/energy industry so as to satisfy legal and technical requirements of the Treaty establishing the Energy Community, i.e. the requirements of the regional market (electricity, gas and renewable energy sources development). The second objective is to assist the investments necessary for cross-border electricity networking, so as to reach the functional regional energy market.

The European Commission is also expected to approve the proposal for ecological project of PE “Electric Power Industry of Serbia”, amounting to € 17 million. This project is planned to reduce harmful emissions to the air and prevent harmful effects for the health of the population. The effects are caused by dangerous waste generated from PCB piralene oils.

The Ministry of Mining and Energy proposed the infrastructure multi-user IPA project „Switching to biofuels- Infrastructure and Facility Improvement in Serbia’s Heating Plant“, amounting to € 1,500,000.

It is important to mention that, at this moment, IPA projects are not implemented by the Ministry of Mining and Energy, but only coordinated by them.

Priority investment projects in the mining and energy fields in the period 2008-2010 are given in the document “The needs of the Republic of Serbia for international assistance in the period 2008-2010”, adopted by the Government on April 17, 2008.

For the optimal work of the Ministry, serious investments are necessary for human resources development, training, introduction of contemporary ICT equipment and software for data collection and analysis. However, at this moment, it is not possible to give exact projections of necessary funds. Apart from the administrative capacity building, increased investments in infrastructure and development projects stimulating regional development are necessary.

Table 3A. Needs of the Energy Agency (AERS)

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities	0	0	0	0	0
The institutions building (premises, staff, equipment, etc.)	1500000		1500000		1500000
Infrastructure	0	0	0	0	0

Table 3B. The Budget of the Energy Agency (AERS) – local sources of financing

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities (<i>policy</i>)	0	0	0	0	0
The institutions building (premises, staff, equipment, etc.)	0	0	0	0	0
Infrastructure	0	0	0	0	0

Table 3C. The Budget of the Energy Agency (AERS) – foreign sources of financing (*Twinning, technical assistance, IPA/bilateral*)

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities (<i>policy</i>)	0	0	0	0	0
The institutions building (premises, staff, equipment, etc.)	1500000	0	1500000	0	1500000
Infrastructure					

Table 4A. Needs of the Mining Agency in €

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities					
The institutions building (premises, staff, equipment,		2,100,000	1,060,000	1,100,000	

etc.)					
Infrastructure					

Table 4B. The **Budget** of the Mining Agency – local sources of financing – in €

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities (<i>policy</i>)					
The institutions building (premises, staff, equipment, etc.)			550,000	1,100,000	
Infrastructure					

Table 4C. The **Budget** of the Mining Agency – foreign sources of financing (*Twinning*, technical assistance, IPA/bilateral) in €

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities (<i>policy</i>)					
The institutions building (premises, staff, equipment, etc.)		2.100,000	510,000		
Infrastructure					

3.15.2. Energy efficiency

3.15.2.1. Situation

3.15.2.1.1. Legislative framework

The Energy Law („The Official Gazette RS“, No. 84/2004) defined long-term objectives of the energy policy including the provision of conditions for energy efficiency improvement in energy activities and energy consumption and the aim to create the conditions for stimulating renewable energy sources and combined electricity and heat energy production

For the first time, the Energy Law takes into consideration the criteria regarding the energy efficiency rate in the energy licenses award process. The Serbian Energy Efficiency Agency is also established by this Law.

The Law is partly harmonized with the *acquis communautaire* in renewable energy sources field. Above all, it is harmonized with the Directive 2001/77/EC. The Law is not harmonized with the *acquis communautaire* in the energy efficiency field.

Energy Sector Development Strategy of the Republic of Serbia until 2015 (“The Official Gazette RS”, No. 44/2005) recognizes the priority of rational use of good-quality energy carriers and energy efficiency increase in production, distribution and use of energy with end users of energy services. The third special priority is the use of renewable energy sources and new more efficient and ecologically acceptable energy technologies and devices/equipment for energy use.

The Decree on the Establishment of the Implementation Program of the Strategy of the Energy Sector Development of the Republic of Serbia until 2015 for the period from 2007 to 2012 (“The

Official Gazette RS”, No. 17/2007 and 73/2007), among other things, describes the current state in the energy efficiency and renewable energy sources fields, examines the barriers for energy efficiency increase and greater use of renewable energy sources and identifies a set of technical, regulative, institutional and organizational measures necessary for their defeat.

The Treaty establishing the Energy Community between the European Community and the Republic of Albania, Republic of Bulgaria, Bosnia and Herzegovina, the Republic of Croatia, Former Yugoslav Republic of Macedonia, the Republic of Montenegro, Romania, the Republic of Serbia and United Nations Interim Administration Mission in Kosovo pursuant to the Security Council Regulation 1244, signed on October 25, 2005 was ratified by the National Assembly of the Republic of Serbia on July 14, 2006. The Law on the ratification of the Treaty was published in the “The Official Gazette RS”, No. 62/2006). Signing this Treaty, the Republic of Serbia is obligated to implement the *acquis communautaire* on renewable energy sources, i.e. to implement the Directives 2001/77/EC and 2003/30/EC. Stimulating the implementation of energy efficiency measures is also planned. Currently, within the Secretariat of the Energy Community, a work group for energy efficiency is established. By the middle of 2009, this group should review the possibilities of the introduction of *acquis communautaire* on energy efficiency in the Treaty.

The Republic of Serbia ratified the Kyoto Protocol in October 2007 as a Non-Annex 1 country. Thereby, Serbia got an opportunity to use the Clean Development Mechanism of the Kyoto Protocol (CDM) for financing the projects in the energy efficiency and renewable energy sources fields. So as to realize the CDM projects, it is necessary to establish a designated national authority (DNA) and draft a strategy for CDM projects implementation. Part of the strategy for the CDM projects implementation in the energy sector will be prepared in the second half of 2008.

The activities on the implementation of the Directive 2003/30/ EC are in the initial phase. So far, the standards SCS EN 14214 and SCS EN.14213 have been adopted. These standards proscribe the characteristics of the methyl ester of fat acids used for diesel engines, i.e. as heating oil. Thus the European standards EN.14214 and EN.14213 are introduced in the Serbian standards system. In May 2006, the Rulebook on technical requests and other types of requests for liquid fuels of bio origin (“The Official Gazette SCG”, No. 23/2006) was adopted. The Rulebook proscribes technical requests and types of requests which must be met by fluid fuels of bio origin used as energy fuels and diesel engines fuels.

The Law on Excises (“The Official Gazette RS”, No. 22/2001, 73/2001, 80/2002, 43/2003, 72/2003, 43/2004, 55/2004, 135/2004, 46/2005, 101/2005, 61/2007) proscribes the exemption from excises for fuels of bio origin. The excises are proscribed for oil derivatives only. Thereby, a certain financial incentive is created for the use of biofuels.

3.15.2.1.2. Institutional framework

The policy and legislation concerning energy efficiency and renewable energy sources are within the competence of the Ministry of Mining and Energy. The Ministry is also in charge of energy permits issuing and the definition of the criteria for the award of privileged electricity producer status.

Apart from the Ministry, an important role is given to the Serbian Energy Efficiency Agency, established by the Energy Law. It is a separate organization for professional tasks on the improvement of conditions and measures for a more rational use and savings of energy and energy carriers, increased energy efficiency in all energy consumption sectors as well as the promotion of renewable energy sources.

Five regional energy efficiency centers are also established in Serbia, at the technical faculties in Belgrade, Novi Sad, Nis, Kragujevac and Kraljevo. An energy efficiency network in the industry of Serbia is also formed. It functions within the Innovative Centre of the Faculty of Mechanical Engineering in Belgrade.

3.15.2.2. Short-term priorities (2008-2009)

3.15.2.2.1. Legislation

The amendments and supplements of the Energy Law (“The Official Gazette RS”, No. 84/2004), will proscribe further harmonization with the Directive 2001/77/EC and 2003/30/EC. They will also proscribe the establishment of the Energy Efficiency Fund (pursuant to the Module No. 14, “Energy Efficiency Fund “ within the Realization Program of the Strategy of the Energy Sector Development of the Republic of Serbia until 2015 for the period 2007-2012).

The adoption of the Law on rational use of energy and accompanying by-laws would proscribe the standards for the use of energy. They would introduce the principle of energy management, incentive measures and other types of measures well as create the legal conditions for the implementation of the *acquis communautaire* on energy efficiency, in particular the Directives 2002/91/EC, 2006/32/EC and other directives on energy labeling of home appliances.

The adoption of the technical regulation proscribing the measures for rational fuels consumption in plants producing heat energy – the implementation of this technical regulation would enable savings in the plants for the production of heat energy of 5-10%.

The amendment to the Law on Local Self- Government (“The Official Gazette RS”, No. 84/2004) with the purpose of the establishment of the energy manager function on the local self-administration level – the competent Ministry for Public Administration and Local Self Government.

3.15.2.2.2. Institutions

The amendments and supplements of the Energy Law (“The Official Gazette RS”, No. 84/2004) will allow the establishment of the Energy Efficiency Fund as a separate legal entity. It is necessary to provide technical assistance for the Fund operation of the initial phase, so as to build the capacities of the staff for a successful Fund operation.

It is necessary to strengthen the capacities of the Ministry of Mining and Energy and the Serbian Energy Efficiency Agency in the following period by an increase in the number of staff, their further professional upgrade and additional education as well as by the purchase of equipment. These conditions would provide for the proposals of new measures and the supervision of the situation in the implementation of energy efficiency measures, determination of potentials and greater use of renewable energy sources and the preparation of possible amendments to the Law and by-laws.

So as to supervise the realization of the future Law on rational use of energy, it is necessary to establish and inspection service in the Ministry of Mining and Energy. This service would deal with the area of energy efficiency and rational use of energy. It is necessary to build its capacity for successful work on these tasks.

It is essential to identify an existing institution or establish a new one which would be in charge of certification and licensing of experts for the draft of energy audit and energy manager function in industry, buildings and municipalities. This should be done in the following period and it is substantial for the implementation of the *acquis communautaire* on energy efficiency.

In this period, it is also necessary to establish a network of energy managers on the local self-administration level. Thus, the implementation of the Energy Law and the future Law on rational use of energy would be enabled on the local level.

3.15.2.2. Short-term priorities (period 2010-2012)

3.15.2.2.1. Legislation

Further harmonization of the existing and the adoption of new by-law regulation in the fields of energy efficiency, rational use of energy and renewable energy sources with the purpose of harmonization with the existing and future acquis communautaire on energy efficiency and with concrete needs of the Republic of Serbia.

3.15.2.2.2. Institutions

Further strengthening of the capacities of the Ministry of Mining and Energy, the Serbian Energy Efficiency Agency and the Energy Efficiency Fund and other relevant institutions.

Employment and training plan:

Table 1.
Governmental institutions' recruitment needs

The name of the institution	Name whether the institution is the existing one or a planned one	Current number of employees	Planned (total) number of employees (for each year)				
			2008.	2009 ³⁵	2010	2011	2012
The Ministry of Mining and Energy	Existing	4	5	8	10	12	15
The Ministry of Mining and Energy The Inspection for energy efficiency and RES	Planned	0	0	5	15	18	22
Serbian Energy Efficiency Agency	Existing	4	5	8	11	15	20
Energy Efficiency Fund	Planned	0	0	8	12	15	15
Total		8	9	29	48	60	72

3.15.2.4. Financial needs

Table 2A.³⁶ The needs of the Ministry of Mining and Energy

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities / ³⁷	800,000.00	6,680,000.00	17,800,000.00	21,360,000.00	26,160,000.00
The institutions building (premises, staff, equipment,	3,110,000.00	13,154,000.00	25,040,000.00	21,268,000.00	26,842,000.00

etc.)					
Infrastructure ³⁸					

Table 2A. The needs of the Serbian Energy Efficiency Agency

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities / ³⁹	800,000.00	1,280,000.00	1,760,000.00	2,400,000.00	3,200,000.00
The institutions building (premises, staff, equipment, etc.)	3,110,000.00	5,854,000.00	8,258,000.00	11,420,000.00	15,170,000.00
Infrastructure ⁴⁰					

Table 2B. The Budget of the Serbian Energy Efficiency Agency - local sources of financing

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities	800,000.00	1,280,000.00	1,760,000.00	2,400,000.00	3,200,000.00
The institutions building (premises, staff, equipment, etc.)	3,110,000.00	5,854,000.00	8,258,000.00	11,420,000.00	15,170,000.00
Infrastructure					

Table 2A. ⁴¹ The needs of the Energy Efficiency Fund

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities / ⁴²	0.00	1,280,000.00	1,920,000.00	2,400,000.00	2,400,000.00
The institutions building (premises, staff, equipment, etc.)	0.00	8,416,000.00	9,272,000.00	11,250,000.00	10,740,000.00
Infrastructure ⁴³					

Table 2B. The Budget of the Energy Efficiency Fund - local sources of financing

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities	0.00	1,280,000.00	1,920,000.00	2,400,000.00	2,400,000.00
The institutions building (premises, staff, equipment, etc.)	0.00	8,416,000.00	9,272,000.00	11,250,000.00	10,740,000.00
Infrastructure					

3.15.3. Nuclear safety and protection from radiation

3.15.3.1. Situation

3.15.3.1.1. Legislative framework

The problematic issue of protection from ionized radiation radiation and nuclear safety is inter-sector in its nature. It encompasses the problems within the competence of the ministries in charge of science, environment protection, health, interior affairs and defense.

The Law on the protection from ionized radiation (“The Official Gazette RS”, No. 46/96) is ruling in Serbia. The Ministry of Science and the Ministry of Environment Protection prepared the proposal of the new Law on the protection from ionized radiation and on nuclear safety.

The basic reason for the adoption of the new Law is the necessity for the harmonization of regulations in this field with the European Union regulations. The implementation and constant upgrade of the measures securing nuclear and radiation safety and security became the priorities of the international community. The basic concern is no more only nuclear weapons control and prevention from its further expansion, but, above all, securing the conditions for efficient suppression of radioactive and nuclear material abuse. Apart from that, it was necessary to secure a legal basis for the establishment of independent regulatory body, i.e. Agency. This is the most significant difference, i.e. innovation. It enabled the efficiency of control and supervision of safe implementation of ionized radiation sources.

One of the most important reasons for the adoption of this Law is the necessity to define the legal basis for the establishment of the state infrastructure necessary for the implementation of this Law and efficient supervision of the implementation of measures proscribed in the Law. These measures concern the protection from ionized radiation, provision of nuclear and radiation safety, safe management of radioactive waste and security in the field of transport of nuclear and other radioactive materials.

Taking into consideration the strategic importance and complexity of the area it regulates, the Law on the protection from ionized radiation and on nuclear safety is based on specific, internationally accepted principles. It includes the highest standards proscribed by the leading world organizations in this field, such as: the International Atomic Energy Agency (IAEA), The Nuclear Energy Agency (NEA) is of the Organisation for Economic Co-operation and Development (OECD), International Commission on Non-Ionized Radiation Protection (ICNIRP), World Health Organisation (WHO), International Labour Organisation (ILO), Food and Agriculture Organization of the United Nations (FAO), etc.

The key problem of nuclear safety and security of Serbia remains the problem of used nuclear fuel of research reactor RA in the Institute of Nuclear Sciences “Vinca”. In the project of fuel repatriation from Vinca in the Russian Federation is included the International Atomic Energy Agency (IAEA). This project is the biggest operation of that kind implemented by the IAEA in their program of Technical assistance to the member countries. The contract on repacking and fuel transport to Russia is signed between the IAEA, the Institute of Nuclear Sciences “Vinca” and the consortium of three Russian companies. In the third phase, upon the reception of the fuel, reprocessing will be performed in Russia.

In the field of protection from ionized radiation and of nuclear safety, the Republic of Serbia is in obligation to comply with the requirements arising from the ratified international contracts: the Law on the ratification of the Vienna Convention On Civil Liability For Nuclear Damage (“The Official Gazette SFRY” – International contracts, No. 5/77), the Law on the ratification of the Convention on Early Notification of a Nuclear Accident (“The Official Gazette SFRY” – International contracts, No. 15/89), the Law on the ratification of the Convention on the Physical Protection of Nuclear Material (“The Official Gazette SFRY” – International contracts, No. 9/85).

3.8.1.1.2. Institutional framework

The field of protection from ionized radiation and of nuclear safety is within the competence of the Ministry of Environment Protection and the Ministry of Science (legislative role).

Pursuant to the Article 16 of the Law on Ministries (“The Official Gazette RS”, No. 48/2007), the Ministry of Science performs the activities of the state administration in the field of exploration in nuclear energy; safety of nuclear facilities; production and disposal of radioactive material, except for in nuclear plants.

The service has **two** (2) employees.

Pursuant to the Article 17 of the Law on Ministries (“The Official Gazette RS”, No. 48/2007), the Ministry of Environment Protection performs the state administration activities in the field of protection from ionized radiation.

The service has **four** (4) employees.

Past trainings:

One (1) employee has so far been trained.

3.8.1.2. Short-term priorities (2008-2009)

3.8.1.2.1. Legislation

Upon the adoption of the new Law on the protection from ionized radiation and on nuclear safety, the establishment of an independent Agency for the protection from ionized radiation and for nuclear safety of Serbia is the priority activity in this field.

So as to secure the conditions for the implementation of the policy in the radiation and nuclear safety and security and the policy for radioactive waste management, the Government is supposed to adopt the Program of radiation safety and security and the Program for radioactive waste management. They should be adopted upon the proposal of the Agency for the protection from ionized radiation and for nuclear safety of Serbia, in compliance with the regulation on strategic estimation of the environment impact.

The harmonization of certain rulebooks with international legislation and recommendations should be done as soon as possible.

The continuation of activities on the project of nuclear decommission in the Institute “Vinca”.

3.8.1.2.2. Institutions

Upon the adoption of the Law on the protection from ionized radiation and on nuclear safety, capacity establishment and building of the Agency for the protection from ionized radiation and for nuclear safety of Serbia is the priority activity in this field.

3.8.1.3. Middle-term priorities (period 2010-2012)

3.8.1.3.1. Legislation

3.8.1.3.2. Institutions

The capacities of the Ministry of Science, the Ministry of Environment Protection and the Agency for the protection from ionized radiation and for nuclear safety of Serbia will be strengthened in compliance with the given dynamics.

The significance of radiation and nuclear safety and the fact that since 1999 the legislation has not been harmonized with the European and world norms, the necessity for the increase in the staff number with knowledge on the harmonization with the European Union regulations is very distinct.

Employment and training plan:

In the beginning of 2009, in cooperation with the IAEA and TAIEX, through IPA projects, it is planned to start hasted training of the staff for the preparation of a greater number of by-laws.

Table 1.

Governmental institutions' recruitment needs

The name of institution	Name whether the institution is the existing one or a planned one	Current number of employees	Planned (total) number of employees (for each year)				
			2008	2009	2010	2011	2012
the Ministry of Science	Existing	2	2	2	2	2	2
the Ministry of Environment Protection	Existing	4	4	5	6	7	7
the Agency for the protection from ionized radiation and for nuclear safety of Serbia	Planned	0	10	20	40	40	40
Total		6	16	27	48	49	49

3.8.1.4. Financial needs

Table 2B. The **Budget** of the Ministry of Environment Protection – local sources of financing

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities					
Project on the establishment and commencement of work of the Agency for the protection from ionized radiation and for nuclear safety of Serbia	73,000,000,00 RSD *2008-2009				
Realization of the projects on the					

takeover, transport and storage of radioactive waste material detected in metal waste in the collection process	500,000.00 RSD				
The draft of the Plan for reactions in emergency events and equipping and establishment of the team for intervention and decontamination in the case of extraordinary event (radiation accident)	3,000,000,00 RSD *2008-2009				
Environment burdened by depleted uranium (project proposal for National Investment Plan (NIP))		8,000,000.00 RSD			
The creation of the data basis on the sources of ionized radiation according to the RAIS program of the IAEA		1,000,000.00 RSD			
Systemic examination of the radionuclide content in environment of the Republic of Serbia, pursuant to the provisions of the Law on the protection from	5,000,000,00 RSD *2008-2009				

ionized radiation (“The Official Gazette RS”, No. 46/96) and the Decision on systematic examination of radionuclide content in environment (“The Official Gazette RS”, No. 45/97).					
The draft of the final report upon performed decontamination of the locations of Bratosele, Plackovica, Boravac and Reljan (depleted uranium)	500,000.00 RSD *2008-2009				
The institutions building (premises, staff, equipment, etc.)					
Infrastructure					
Maintenance of the System for early notification of radiation accident		500,000.00 RSD	500,000.00 RSD	500,000.00 RSD	500,000.00 RSD

Table 2C. The **Budget** of the Ministry of Environment Protection (technical assistance, IPA/bilateral)

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities (policy)					
The training of inspectors for RAIS Program use of IAEA as a data base on ionized radiation sources		The projects of the IAEA *2009-2010			
Strengthening the capacity of inspectors in the implementation of		Projects of the IAEA *2009-2010			

measures for protection from ionized radiation					
The institutions building (premises, staff, equipment, etc.)					
Infrastructure					

Table 2A. ⁴⁴ **The needs of the Ministry of Science**

Activities / ⁴⁵	in 2008	in 2009	in 2010	in 2011	in 2012
The realization of the project of nuclear decommission in Institute “Vinca”	10,000,000,00€	7,500,000.00€	13,000,000.00€	15,000,000.00€	15,000,000.00€

Table 2B. The **Budget** of the Ministry of Science – local sources of financing

Activities	in 2008	in 2009	in 2010	in 2011	in 2012
Project on the establishment and the commencement of work of the Agency for the protection from ionized radiation and for nuclear safety of Serbia	73,000,000.00 RSD *2008-2009				
The realization of the project of nuclear decommission in Institute “Vinca”	4,500,000.00€	3,500,000.00€	5,000,000.00€	5,000,000.00€	5,000,000.00€

Table 2C. The **Budget** of the Ministry of Science (technical assistance, IPA/bilateral)

Activities (<i>policy</i>)	in 2008	in 2009	in 2010	in 2011	in 2012
The realization of the project of nuclear decommission in Institute “Vinca”	5,500,000.00€	4,000,000.00€	8,000,000.00€	10,000,000.00€	10,000,000.00€

(IPA, IAEA)					
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3.16. TAXATION

3.16.1. TAXATION POLICY

The Republic of Serbia started reforming its taxation and overall financial system in 2001. The main goals of the tax reform were geared toward alignment of the national tax legislation to the EU and international standards. Guided by the basic principles underlying tax reform (simplicity, applicability, neutrality, efficiency, stability) in the previous period, from 2001 to date a whole range of regulations have been adopted to entirely regulate the Republic of Serbia's tax system.

The implemented fiscal reforms decisively contributed to establishment of macroeconomic stability and creation of favourable conditions for investment and economic growth of Serbia

In the forthcoming period fiscal reforms will continue, covering the improvement of fiscal system and strengthening tax and customs administration.

DIRECT TAXATION

3.16.2.1. PERSONAL INCOME TAX

Legislative framework

Taxation of physical entities' incomes (based on earnings, agriculture and forestry, private operations, copyright, rights related to copyright, rights of industrial property, capital, real estate, capital gains and other incomes) in the Republic of Serbia is regulated by the Law on Personal Income Tax ("The Official Gazette of RS" 24/01, 80/02, 135/04, 62/06, 65/06 and 7/08).

This law, as the basic legal act regulating taxation of personal income, regulates the subject of taxation, taxpayer, tax base and rate, the commencement of tax duty, tax exemptions, tax determination and collection, penal provisions.

Institutional framework

Regulation of this tax form is under the competences of the Ministry of Finance, and its implementation is under the competences of the Tax administration.

State of play

The Law on personal income tax has been implemented since 2001, but Serbian citizens' incomes had been taxed before that too.

The subject of this tax is income generated by a physical entity based on earnings, agriculture and forestry, private operations, copyright, rights related to copyright, rights of industrial property, capital, real estate, capital gains and other incomes liable to taxation by that law.

The annual personal income tax is paid as additional tax on income generated in calendar year, if it is higher than the given untaxable amount for that year determined by average annual earnings.

Taxpayer is a physical entity generating income.

Tax rates vary depending on income type. 10% tax rate applies to private business operations; 12% to earnings; 14% to agriculture and forestry, 20% to copyright, rights related to copyright, industrial property rights, capital, real estate, capital gains and other incomes. Annual tax on personal income is paid by progressive rate of 10% and 15%.

Tax base is determined depending on income type. Tax base for earnings is made of gross earnings minus untaxable amount; with agriculture and forestry tax base is made of catastrophe or actual income, for private business it is taxable income determined in accordance with the law or a lump sum income; for other types of income tax base is taxable income as gross income minus normed or actual expenses recognized to taxpayer.

These taxes are determined and collected after deduction from each individual income or based on decision of a relevant tax office.

Mid-term priorities

In mid-term period activities are planned to be undertaken for creating conditions for introduction and implementation of global synthetic taxation of physical entities in the Republic of Serbia.

3.16.2.2. CORPORATE INCOME TAX

Legislative framework

Corporate income taxation of companies is regulated by the Law corporate income tax („The Official Gazette of RS”, 25/01, 80/02, 43/03 and 84/04), defining the way of taxation for earned income of legal entities, both residents and non-residents in the Republic of Serbia.

Institutional framework

Regulation of this tax form is under the competences of the Ministry of finance, and its implementation is under the competences of the Tax Administration.

State of play

The Law on Corporate Income Tax defines the following notions: types of taxpayers, tax base, the way of expenditure recognition and recognition of revenues from profit and loss statement in tax balance, tax treatment of business losses and capital losses or profits, tax treatment of liquidation and bankruptcy, tax period, tax rate, tax payment after deduction of for non-resident legal entities, tax incentives, elimination of double taxation of income made in other countries, tax consolidation, transfer prices, determination and collection of taxes and penal provisions.

Regarding tax determination, collection return, legal remedies, penal provisions and other issues not regulated by this law, they are subject to provisions of the law regulating tax procedure and tax administration.

Mid-term priorities

In mid-term period implementation of preparatory activities is planned (organization activities and alignment to the projects related to integration with the EU regulations), accurate analysis and directive construing, the way of their adequate implementation into legislative framework, etc) for alignment of the Corporate Income Tax Law to the EU regulations, where, after the Stabilization and Association Agreement is signed, precise deadlines for the remaining process of legal alignment to the EU's direct taxation legislation will be defined..

Regarding this, immediate expert preparations will be done and their implementation, in accordance with defined deadlines for legal alignment to the EU legislation in the domain of taxation for legal entities' income, would provide equalizing of the system and basic elements of corporate income tax, harmonization of tax treatment of dividends, eliminating obstacles in inter-company payments of

dividends, interest and author's fees, facilitation of grouping for companies in different countries, application of the principles of taxation in accordance with the EU principles on doing business and system of measures for elimination of economic double taxation. Certain harmonization in mid-term period is conditioned by economic (budgetary) reasons, where further flexibility of implementation deadlines should be counted with, due to the situation of Serbia's economy.

3.16.2.3. PROPERTY TAX

Legislative framework

Property taxation (with property tax, inheritance and gift tax and tax on absolute rights transfer) in the Republic of Serbia is regulated by the Law on Property Taxes ("The Official Gazette of RS" 26/01, 80/02, 135/04 and 61/07).

This law, as the basic legal act regulating property taxation, regulates the subject of taxation, taxpayer, tax base and rate, tax duty commencement, tax exemptions, as well as determination and collection of taxes on property, inheritance, gift and absolute rights transfer.

Institutional framework

Regulation of this tax form is under the competences of the Ministry of Finance, and its implementation is under the competences of Tax Administration.

State of play

The Law on Property Taxes has been implemented since 2001, but property in the Republic of Serbia had been taxed before that too.

The subject of property taxation are certain rights to real estate (first of all the right of ownership), so taxpayer is basically the holder of that right. Tax rates are different for persons keeping business books and those who don't, and tax base is: for taxpayers keeping business books – the book value, and for taxpayers who don't keep business books – the market value of real estate calculated by application of prescribed criteria and benchmarks.

Inheritance and gift tax is paid for the things and rights that heirs inherit, i.e. gift receivers get, as stated in the Law. Tax rate depends on the kinship between gift receiver and giver, i.e. the heir and leaver, and it is higher the more the kinship is farther. Tax base is the market value of the inherited, i.e. received property, where in inheritance cases it is reduced by the amount of debts, costs and other charges that the heir as taxpayer must settle from the inherited property.

The tax on absolute rights transfer targets certain property transaction with a fee. This tax base is the market value of the rights subject to transfer, and the tax is paid at the rate of 2.5%, except when securities or share in legal entity are transferred, the base being 0.3%.

All the stated taxes are determined by decision of a tax authority, except in case of transferring securities with pecuniary fee, done at the Central Securities Registry together with money settling - when tax is paid after deduction of market value of the absolute right transferred.

Mid-term priorities

In the mid-term period, the Law will be harmonized with the EU regulation. In that framework introduction of tax incentive in taxation of inheritance and gifts of means used solely for business operations of legal entities as heirs or gift receivers, will be considered, on the condition of keeping the

continuity of business in the minimal period, in accordance with The Commission's Recommendation on SME transfer, from 7 December 1994 - 31994H1069.

3.16.2.4. TAXES ON USE, KEEPING AND CARRYING ASSETS

Legislative framework

Taxation of use, keepg and carrying use in the Republic of Serbia is regulated by the Law on tax on use, keeping and carrying assets ("The Official Gazette of RS" бp. 26/01, 80/02 and 43/04).

This law, as the basic legal act, regulates taxation of motor vehicles, navigation vessels and yachts, aircraft, as well as weapons, it regulates the subject of taxation, amount of tax money, commencement of tax duty and tax exemption.

Institutional framework

Normative regulation of this tax form is under the competences of the Ministry of Finance, and its implementation is performed by the agencies that enter movables that are subject to taxation into prescribed records – registers (The Ministry of the Interior, the Ministry of Infrastructure), and Tax Administration.

The State of Play

The Law on taxing use, keeping and carrying assets has been implemented since 2001, but the use and keeping of assets in the Republic of Serbia had been taxed before that as well. The subject of taxation are motor vehicles, navigation vessels and yachts, aircraft and weapons, and the taxpayer is their proprietor. The tax amounts are prescribed, but at the end of every year they are aligned to the growth rate of retail prices for the previous twelve months – for the following year implementation against the year in which the alignment is made.

3.16.3. INDIRECT TAXATION

3.16.3.1. VALUE ADDED TAX

Legal framework

Taxation of consumption via VAT was stipulated under the Law on value added tax («Official Herald of RS », no. 84/04, 86/04, 61/05 and 61/07 – hereinafter: the Law), which has been in force in the Republic of Serbia since 1 January 2005.

Institutional framework

Legal regulation of this form of taxation falls under the competence of the Ministry of Finance, while its implementation within the competence of the Tax Administration and Customs Administration.

State of play

The Law has been harmonized, to a great extent, with the regulations of the European Union, governing the area of consumption taxation via value added tax, first of all with the Directive 32006L0112. Further to the Law, value added tax (hereinafter: VAT) is a general consumption tax computed on the delivery of goods and rendition of services, in all the stages of production and turnover of goods and services as well as on imported goods. The individual sections of the Law govern: subject

of taxation (turnover of goods and services and import of goods), tax obligor and tax debtor, venue and time of trade in goods and chargeable events, tax bases and the rate of taxation (general rate of 18% and special rate of 8%), tax exemptions (with the entitlement to deduction of the preliminary tax (the so-called 0%), without entitlement to deduction of preliminary tax, and import of goods), preliminary tax, special procedure for taxation (small tax payers, farmers, trade in second hand goods), recording and de-recording of tax payers, taxation period, filing of tax return, calculation and payment of tax, refund, drawback and reimbursement, penalty provisions.

Medium-term priorities

The activities aiming at full harmonization will be undertaken in the medium-term. To do that it will be necessary to regulate, more in detail, the records of non-residents' obligation to pay VAT, special regimes of taxation, primarily of second-hand goods traded, turnover in goods and services tax exempt without the right to deduct preliminary tax at the time of recording of VAT obligation, trade in goods and services subject to separate VAT rate of 8%.

3.16.3.2. EXCISE TAX

Legal framework

The excise tax has been governed by the Law on Excise ("Official Herald of RS ", nos. 22/01, 73/01, 80/02, 43/03, 72/03, 43/04, 55/04, 135/04, 46/05 and 101/05 and 61/07) and lateral regulations in that field. Excise is tax on goods enumerated in the Law.

Institutional Framework

The regulatory function for this fiscal form is within the competences of the Ministry of Finance, while the enforcement is vested to the Tax Administration and Customs Administration.

State of play

Fiscal reform was carried out in 2001, with the idea of making the fiscal system in the Republic of Serbia more effective, simple and equitable, to correspond to the market orientated economy and compatible with the taxation system of EU countries; within the reform new Excise Law was introduced. It has been amended since then, and considerably complies with the basic principles of EU (fiscal equality of domestic excise goods and imported goods, combined excise on cigarettes). The Excise Law provides for excise taxation of oil derivatives, spirits and coffee. The following areas have been covered as well: base for calculation of excise, amounts, namely excise rates, venue and time of calculation and payment of excise, tax payer of excise, relief and exemptions, drawback and refund of excise, deferred excise calculation procedure, operation of excise warehouses, manner and procedure of labeling the cigarettes and spirits with controlling excise stickers, penalty provisions.

Medium term priorities

With the view to further harmonization with the provisions of European Union securing the functioning of the internal market and free movement of goods subject to excise, the Republic of Serbia shall enact, in the medium term, the regulations on the general arrangements for products subject to excise and on storage, movement and monitoring of such products (basic types of excise products,

obligor of excise, place of payment of excise, exemptions and release, requirements for the operation of excise warehouses and the similar).

The harmonization with the regulations of the European Union concerning the equalization of the structure of excise to oil derivatives (mineral oils), tobacco products and spirits will be also undertaken in line with the definitions of such products from the valid Combined nomenclature, and determination of minimal excise applicable to the types of oil derivatives (mineral oils), spirits and tobacco products.

▪ MUTUAL ASSISTANCE

With the view to preventing and combating tax evasion phenomena in the turnover of goods, services and capital and distortion of the market fair competition principles, resulting in lower tax revenues in the budget, and thorough implementation of the bilateral agreements on double taxation, the Tax Administration of the Republic of Serbia has so far shared the information, cooperated and coordinated its activities with the Tax Administrations of other countries. Given the desire to upgrade those activities to the highest possible level, we will undertake, in the period to come, to create the conditions for harmonization of our regulations with those of EU in that area, and particularly with the regulations: 31977L0799 - Instructions 77/99/EEC on mutual assistance of the competent authorities of member countries in the area of direct taxation and 32003R1798 - Decree 1798/2003 on administrative cooperation in the field of double taxation.

▪ TAX ADMINISTRATION

Legal framework

The Tax Administration of the Republic of Serbia is the authority within the Ministry of Finance. Its role is assessing, collecting and auditing public revenues (taxes and surcharges) in compliance with the Constitution of the Republic of Serbia and the Law.

Given the enactment of the Law on tax procedures and tax administration (“Official Herald of RS”, no. 80/02, 84/02, 23/03, 70/03, 55/04, 61/05, 85/05 and 62/05) and the beginning of its application as of 1 January 2003, two highly complex processes were started: on the one hand the transformation of fiscal administration and on the other consistent application of substantive tax laws in keeping with, first ever, complete process law.

Pending the enactment of that Law, the Tax Administration assessed and collected tax only further to the decisions issued by tax authorities while the audits of all public withheld revenues had been done by the then Clearing House. With the start of the application of the Law on tax procedure and tax administration the Clearing House was abolished and payment transactions transferred to banks. The audit of all public revenues has become one of the main functions of the newly formed Tax Administration.

Institutional framework

The Tax Administration competence is to:

- Register tax payers by assignment of respective TINs and maintenance of uniform registration of tax payers;
- Assess taxes according to the Law;
- Audit tax payments according to the Law;

- Make regular and enforced collection of taxes and ancillary tax contributions;
- Uncover tax felonies and perpetrators thereof and take legal measures;
- Launch and carry out the first instance and second instance procedures and declare the penalties and precautionary measures against tax offences ;*)
- Decide on complaints filed against the decisions taken in the fiscal procedure;
- Take care of the implementation of the international agreements on double taxation;
- Develop single tax information system;
- Maintain tax bookkeeping;
- Plan and implement the training of the staff;
- Offer expert assistance to the tax obligors in the application of tax regulations, in line with the Code of Conduct of the Tax Administration;
- Provide for transparency in its work;
- Discharge other business in line with the Law.

*) Further to the provisions of Article 91 of the Law of Torts (“Official Herald of RS”, no. 101/05) of 1 January 2007, Tax Administration is no longer competent to carry second instance proceedings, rather the first instance offence processes. The second instance falls within the competence of the High Court of Torts.

The Tax Administration is organized along the functional principle. It is run and managed by the Tax Administration Head Office, which provides for the uniform application of substantive tax regulations. In addition to the Head Office there are regional centers, as organizational forms of coordination in a given territory.

It is comprised of 207 organizational units on 282 locations, which renders the functioning and communication difficult. The organizational units are as follows: the Head Office, 5 regional centers, the center for large tax payers, 24 branches A, 17 branches B, 39 branches C, 93 branch offices, 5 outlets and 22 special departments. Of it, 6 organizational units - 5 regional centers and the center for large tax payers have a treatment of indirect budget beneficiaries.

The Head Office of the Tax Administration is, like in any tax administration, of special significance.

The Head Office of the Tax Administration has eight sectors, planning and managing either the basic tax functions or logistics and providing for all expert and logistics support in the implementation of the fiscal process.

The Tax Administration of the Republic of Serbia currently employs 6,733 civil servants and staff, where more than 70% of civil servants have high or higher education.

The strategic goal of the Tax Administration of the Republic of Serbia is a client focused tax administration with a high degree of performance of voluntary tax obligations. It is designed according to the standards of the European tax administrations.

State of play

1. Improved enforcement of tax laws with special reference to revenue collection and control to reduce tax evasion

The Ministry of Finance of the Republic of Serbia in its “Public Finance Bulletin” is publishing official data about the collection of tax revenues. Comparative data for 2004, 2005, 2006, and 2007, about the collection of tax revenues reveals absolute and relative growth rate. The aggregate increase of tax revenues is more than evident, as it amounted in 2003, 245,908.7 million RSD, in 2004, 310,900.00 million RSD, in 2005, 394,340.7 million RSD and in 2006, 437,197.1 million RSD, while in 2007, it was 511,005.8 million RSD.

More efficient collection of public revenues in 2007 was possible thanks to the realization of the following activities:

a) Measures taken for regular and enforced collection

In the period 1 January – 31 December 2007 (hereinafter: the period under review), like in the previous periods, the priority was the collection of fiscally most lucrative public revenues, as: added value tax (hereinafter: VAT), excise, withheld taxes and contributions, corporate tax and the similar.

A survey of the measures of regular collection at the level of the Tax Administration, in the period 01.01. – 31.12.2007 is provided in the table below:

Number of Prompt notes issues	Amount of tax debt under the prompt notes	Collection under the prompt note
375,233	47,546,401,961	16,055,749,044

The debt uncollected in the process of regular collection was sued for forced collection orders.

A survey of measures taken for forced collection at the level of the Fiscal Administration in the period 01.01. – 31.12.2007 is presented in the table below:

Measure	No. decisions issued	Of Collected under the decisions
Decision to block the account	84,618	7,214,986,789
Decision of FC collection against real estate	1,916	738,589,677
Decision of FC against movable assets	17,827	710,914,732
Decision on FC from pecuniary receivables	3,051	532,667,657
Decision on FC against non-pecuniary receivables	8	385,294
Decision on FC against cash	4,612	210,450,779
TOTAL DECISIONS ISSUES	112,032	9,407,994,928

Within the collection against real estate 975 inventories and valuations were made, 1,109 advertisements for sale of real estate and the same number of auctions, when 77 real estates were sold in the amount of 411,395,991 RSD, 64 real estates worth 312,996,314 RSD were transferred into the ownership of the Republic and 770 mortgages established over the real estate.

Within the collection of forced collection against movable assets 2,907 auctions for sale of movable property were held and 174 sold for the amounts of 72,541,384 RSD, 238 movable assets were transferred to the ownership of the Republic, worth 130,900,565 RSD and 1,856 liens were established as a measure securing the collection.

In the procedures for compulsory collection the amount of 10,549,312,950 RSD were collected out of the total debt established under the decisions.

A survey is presented of the total collection in the process of the regular and compulsory collection at the level of Tax Administration in the period 01.01. – 31.12.2007, in the table below:

Total debt	Amount collected	Percentage of collection
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43,663,693,833	25,463,743,972	54 %
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In the process of regular and compulsory collection 25,463,743,972 RSD was collected or 54% of the amount of debt under the prompt notes. In 2007, the Fiscal Administration initiated 86 bankruptcy proceedings for collection of tax debt from insolvent tax payers;

- b) The Tax Administration, as an executive authority actively participated in 2007 in legislative activities of the Republic of Serbia, both by issuing opinion on the Bills and lateral regulations (the Law on changes and amendments of the Law on taxation of personal income, the Law on corporate tax, the Law on added value tax, the Law on property taxation, the Law on excise and others), and moving legislative/legal initiatives for amendments to the legal regulations (e.g. initiative for changes of legal regulation to enable the Tax Administration to obtain the data from the National Bank of Serbia on crediting current accounts of physical person in excess of 13,000,000 RSD). In addition, and under the provisions of Article 59, of the Law on the taxation procedure and tax administration, with the view to bringing about the possibility to take correct, legitimate and unified decisions, it actively participated in the process of drafting the Code of the manner and procedure of assessment of tax base of personal income on undeclared income by the method of cross assessment. In 2007, the Tax Administration issued the Instructions for action of the Tax Administration in the procedure of establishing uniform tax base for personal income taxation of citizens' undeclared income according to the cross assessment for the years 2003, 2004 and 2005;
- c) Within the implementation of the Law of fiscal registers, the Tax Administration in 2007 helped instal and functioning of more than 20,000 GPRS terminals, which provide the data on the change in number of VAT obligors. Since the beginning of the application of the Law to date 186,713 GPRS terminals were installed;
- d) Within the development of support to the functioning of the field audits, since 1 January 2007, software support has been [rpvoded for field audits, as an in-house development. The system provides for the monitoring of realization of monthly plans by types of control and types of public revenues, measuring effects per employee and having the possibility of recording the most characteristic phenomena of irregularities found, provided that this information will be used in risk management and for possible changes in tax regulations. In addition to the generation of data for the executive decision-making, that software provides for the standardization of the audit procedures, complete standardization of tax documents concerning control, and more efficient time management, both during the audit itself and in the production of tax documents;
- e) Concerning the data obtained from external institutions, there was a significant improvement in the use of the payment transactions data of cash withdrawal. The inclusion of such data into the risk analysis would enable timely identification of the companies evading VAT under (the so called: "shell companies"). Since 15.06.2007, the Decision of the National Bank of Serbia on the changes and amendments of the Decision on the conditions and manner of payment in cash in RSD by legal persons and physical persons running businesses ("Official Herald of RS", no. 45/07), which defined the obligation of commercial banks to report daily to the Tax Administration of all cash withdrawals the day before from the accounts of legal persons and physical persons running businesses;
- f) In 2007, the Fiscal Administration filed 1681 criminal reports and 34 supplements to criminal reports to the competent prosecutors' offices, for tax offences under Articles 229, and 357 of the Penal Code (hereinafter: PC) and Articles 173, 173a, 175, and 176a of the Law on taxation procedure and tax administration. The amount of tax evaded under the criminal reports is 19,487,119,541.71 RSD.

2. Enhancement of administrative capacities and implementation of Customs law, combating corruption, cross-border crime and tax evasion

a) The Tax Administration collected, in the audit process of legality and correct computation and payment of public revenues for 2007, the total of 27.6 billion RSD.

Public revenue type		2006	Percentage share	2007	Percentage share	Index 07/06
1.	Turnover tax	3,852,074,059	12.37	1,063,218,469	3.84	27.60
2.	Excise	2,476,640,734	8.22	1,500,154,015	5.42	60.57
3.	Withholding tax	15,233,187,543	50.60	14,483,382,048	52.41	95.07
4.	Corporate tax	234,613,214	0.77	360,729,403	1.30	153.75
5.	VAT	7,510,486,735	24.94	9,614,323,503	34.79	128.01
6.	Other public revenues	797,940,092	2.10	557,984,343	2.01	69.92
7.	Goods seized	-	-	49,729,486	0.23	-
Total		30,104,942,382	100.00	27,629,521,268	100.00	91.77

Attention shall be focused, in the period to come, on the plans for excise and corporate tax, based on risk analysis, to increase the share of those forms of taxation on the total collection.

b) The Tax Administration continued, with the view to reinforcing administrative capacities, the basic functions of the tax administration – audit and collection, an intensive education of the staff.

In 2007 the Tax Administration organized and carried out the following training courses:

3. Training in software for field audits, involving 408 senior staff and surveyors of field audit;
4. The course “Proper application of process regulations in the taxation procedure” on behalf of surveyors of tax audit, attended by 2,125 senior staff and surveyors of tax audit;
5. Course “Proper application of the Law on corporate taxation” on behalf of inspectors of tax control attended by 1,256 trainees;
6. Course “Uncovering illegal software” in favor of senior staff and inspectors of field control, attended by some 800 trainees;
7. In cooperation with USAID-Bearing Point a series of courses were held for inspectors of tax policemen on the topic of uncovering crime and investigation, money laundering, international banking, and use of PCs in financial crime.

Howler, since institution capacity building required absence of senior staff with university diplomas, it was necessary to recruit 245 probationers for office auditing and compulsory collection, under a public vacancy announcement and train them. The existing staff profile coming from the institutions of higher

education in Serbia such as graduated economists and jurists, cannot be directly fitted into a tax job; they need basic, namely initial training. The demand of economizing time for training the probationers in the assessment and collection of public revenues requires highly specialized and organized training for transfer of specific know-how and skill. The tax administration has adequate offices for the realization of training and a clear concept of the subject and substance of training. Also, and with the view to the implementation of strategic goal of tax administration of the Republic of Serbia, the client oriented administration designed after the model of European standards, it was necessary to engage the representatives of the European Tax Administrations to share with us their best practices.

That is why the Tax Administration of RS, in March 2007, taking into account the strategic significance of the development of initial training, proposed a project proposal "Further development of the education function in the Tax Administration via initial training of staff" for financing under IPA 2007, which according to the information available, has been approved by the European Commission.

3. Increased transparency and exchange of information with EU member states to facilitate the implementation of measures against tax evasion

In the Tax Administration, the Division of taxation legal affairs and coordination is a separate organization part. It is dealing with coordination of activities of the Tax Administration of the Republic of Serbia with the administrations of other countries in the process of implementation of international treaties on double taxation, preparation of instructions for application of ratified double taxation agreements, international legal assistance and the relevant instructions.

In addition to the above, the Fiscal Administration established cooperation in the filed of VAT fraud and excise with GTZ and CAFAO. The cooperation so far revealed the specificity of phenomena in VAT fraud in the Republic of Serbia. The models of VAT fraud do not correspond to the comparative practice of EU member states. The basic model in the European Union, in VAT fraud is «CARUSSEL», basically characterized by "trading of goods across several EU countries". That model is inapplicable in Serbia since here the models in operation are those concerned with the trading in goods among legal entities-resident in the Republic of Serbia.

The Tax Administration is an active member of IOTA (the International Organizations of Tax Administrations) so, the representatives of the Serbian Tax Administration take part in all thematic working groups of that international organization providing for a smooth sharing of information but also experience in the area of implementing the measures for prevention of tax evasion.

With the view to the provision of necessary know-how and skill and timely and better quality in implementing the priorities of the Republic of Serbia also defined in the document "European Partnership", the Tax Authority of the Republic of Serbia moved the initiative for inclusion of the Republic of Serbia into the program of the Community "Fiscalis 2013". The government of the Republic of Serbia acknowledged on 27 December 2007 the Information on the accession of the Republic of Serbia to the program of the European Union "Fiscalis 2007", and the text of the Letter of Intent, which was furnished to the high representative of the European Commission for their consideration.

Given the integration into the Community Program, namely through the cooperation in the area of intra border fiscal fraud and connection to the computer system of the Community prior to accession of the Republic of Serbia to EU, would enable strengthening of administrative capacities of the Republic of Serbia in the area and, in view of the fact of real increase in the collected budget revenues of the Republic of Serbia, would be reflected in the positive comments in the Annual report of the European Commission on the progress of the Republic of Serbia. In addition and in view of the fact of the signed Memorandum of Understanding between the European Commission and the Republic of Serbia would be confirmation of the acceptance of the Republic of Serbia as a partner in the Program, which satisfies the basic standards of *acquis communautaire*.

More precisely, the provision of the best practice in the fiscal area would support faster achievement of the strategic goal of the Serbian Tax Administration – to become the tax administration oriented to the client with a high degree of voluntary discharge of tax obligations, designed according to the standards of the European Tax Administrations.

4. Projects accomplished and initiated in the Tax Administration in 2007 within its strategic goals

- 4.1. Project completed in 2007:
8. The Project of automation of the business process of field audits (software for TK)
 9. The Project “Information system of local tax administration”
 10. The project of Printing House for mass printing (in cooperation with EAR)
 11. The Project of drafting the Law on tax consultants (in cooperation with GTZ)
- 4.2. Projects started in 2007:
- *The project “System of Information Security Management”* has been carried out within the project of the European Agency for Reconstruction (EAR) “IT strategy as support to the modernization of Finance Ministry,” The processes for information security are based on the international safety standards ISO 17799 and BS 7799.
 - *The Project of “Central Register of Tax Obligors”* covers the establishment of a single and comprehensive register of tax obligors (legal entities, permanent business units of non resident legal entities, entrepreneurs, employers, VAT obligors and physical persons), to enable efficient and modern administering of public revenues through the introduction of the state-of-the art IT architecture, as a basis for further development of IT in the Tax Administration.
 - *Project “National Focal Point of the Tax Administration”* was introduced as a reflection of the need of the Tax Administration to secure continuity in the development of voluntary discharge of tax obligations, based on the core principles of the state administration reform. The funding of the Project has been approved by the European Agency for Reconstruction and development and the procedure for public procurement is under preparation - selection of consultants for technical assistance under the project, namely the procurement of necessary equipment for the functioning of Focal point to be located in the existing building of Tax Administration in Belgrade, provided however that in December 2007, the procedure for public procurement was completed and the procedure for adaptation of offices started. Also, in cooperation with foreign consultants of EAR, The Tax Authority drafted Terms of reference for the Project and it was verified by end December 2007, by EAR and Tax Administration. Tendering procedures will be continued while project implementation is expected in the course of 2008.
 - *The Project “Further development of education for the staff in the Tax Administration through initial training”* was nominated by the Tax Administration for funding by the European Union under IPA 2007. The Tax Administration drafted the project proposal and submitted it to the European Commission for verification.

Short-term priorities

1. Service to tax payers

The Tax Administration shall attempt at providing the models of offering services in the Tax Administration free of charge, where the forms are dispersive and adapted to different cultures of the corporations and citizens.

The main form of the service will be electronic access involving the possibility of:

- Digital submission of tax returns;
- Electronic payment of taxes;
- Electronic reports on the status of obligations in tax accounts of tax payers, getting tax certificates and other documents via e-mail.

In addition to electronic services, the Tax Authority shall maintain other types of services, such as free delivery of postal money orders, tax returns, notifications on the debt status and leaflets, brochures and other education material informing taxpayer about his/her rights and obligations on a timely basis, particularly at the time of changes of tax regulations.

The organizational form for accomplishment of this and other forms of services is a Focal Point .Raising the efficiency level of the services to taxpayers shall be supported by the finaliozation of the project of the Central Register.

2. Staff integrity and professionalism as a pre condition for the provision of full service to taxpayers

The integrity and professionalism of the staff are provided by recruitment policy, and vie training and internal communication. The Tax Administration shall insist in 2008 on the consistent application of the Directive on incompatible jobs with the official duty and Directive on the Code of Conduct of the staff in the Tax Authority and the realization of training of employees in the area of business communication, but also more efficient serviceing of tax payers.

Competency and professionalism of employees, provided by the regulations on state administration, has to create awareness and confidence of taxpayers that voluntary discharge of tax obligations is in the general interest.

The Tax Authority can ensure the competence and professionalism via permanent training. Therefore the following training courses have been planned, as follows:

1. Procedure and manner of application of the methods of cross tabulation of tax assessment for 1000 senior officials and tax inspectors;
2. Legal, professional and internal regulations in the accounting with the presentation of IAS and ISFR;
3. Advanced training in VAT;
4. Training of probationers having university degree;
5. Training of tax inspectors for the work in the Focal Point;
6. Implementation of the Code of Conduct of civil servants.

Medium-term priorities

1. Client oriented tax administration in terms of organization of business functions

The final organizational design of the Tax Authority should provide *a combination of functional method of operations and client approach* meaning that a taxpayer can be served at one place by one or two employees.

Functional operating method means the internal organization of the Tax Authority units by functions - registration, control, collection, offences and tax evasions.

Client oriented tax administration implies the organizational levels adjusted to the stratification of tax payers at one place, by one or two employees, who can provide full service.

The combination of the two models shall ensure the internal organization of the Tax Authority enabling the discharge of the basic functions of each Tax Administration, on the one hand and servicing of taxpayers for the sake of raising voluntary payment of tax obligations, on the other.

A special role in the achievement of that goal is plaid by the external communication that should provide for transparency the Tax Administration in terms of equal rights of all the taxpayers in getting the service.

2. Raising the level of voluntary tax payment

The ultimate goal of each and every tax authority should be the highest possible level of voluntary tax payment, to the exclusion of repressive measures such as compulsory collection and sanctions.

The level of voluntary tax payments can be achieved, on one hand by measures conducive to culturological environment and offering services to tax payers to facilitate voluntary discharge.

Part of the measures conducive to the changes in cultural environment is concerned with the function of discovery and legal action against taxpayers evading the payment. Good implementation of the measures, namely suppression of shadow economy will significantly contribute to complete operation of the Project “System of compilation of information and case monitoring.”

3. Simplification and rationalization of the procedure of exercising rights and obligations of taxpayers

The precondition for realization of this goal is launching, by the Tax Administration, of the simplification of taxation forms. The Tax Administration should draft the proposal for a tax return, regulatory solution for each form of taxation where simplification is possible. Given the accomplishment of the assumptions provided under this item, considerable rationalization in terms of time and cost would be achievable.

4. Designing of business functions for total risk management in the basic taxation functions (audit and collection)

The business function design should make recording of tax payers possible, timely discharge of legal obligations concerning submission of tax returns, as well as precise identification of tax defaulters trespassing the Law.

Identification of taxpayers who evade their obligations is the subject of risk management. The condition is to have two infrastructural elements in place of each tax administration – The Central Register of Taxpayers and Central Tax Accounting.

The Central Register should ensure complete coverage of all taxpayers, independent of business transactions on the base on which they are taxed.

The Central Tax Accounting should provide the data on the established tax obligation for the given form of taxation, independent of whether the obligation is assessed by self-taxation or under the decision of a tax authority, to record the payments by tax payers, and to legally and timely present the status of obligations on account of public revenues.

The data defined in the Central Register and the Central Tax Accounting, together with the data on fiscal capacity of the tax payers, recorded offences, data on the specific business transactions (import, export and the similar) make up *the profile of taxpayer who is the subject of risk management*.

The Central tax functions management should ensure good quality planning (identification and focus on fiscally risky groups). It means the defining and implementing the system of early warning of tax obligations, permanent maintenance of the system by updating the data, migration from the surrounding institutions and the exchange of data with the standardized systems in EU (VIES).

Although the basic principle of information set-up, processing, migration and use should go via information system it is necessary to retain specific forms *of exchange of information with other tax administrations*, through indirect exchange on individual taxpayers. This implies other forms of functioning of the international legal assistance.

Business functions should be automated to the maximum, not only because of rationalization, but the use of automatic data processing and inbuilt control in both the processing and quality management systems, which immediately identify the defects in the work of employees or taxpayers.

In carrying out field audits the Tax Administration should opt for one of the standards in this area (SAP or SESAM), as a method contributing to the rational organization and prevention of the discretion in the implementation of audits.

The basic strategy in the compulsory collection and thereby the organization of the business function is classification of debt by age and amount of tax debt. So organized data bases enable an efficient risk management in the area of compulsory collection.

The Central Management System should provide planning, management and execution of the basic taxation function. The Head Office plays not only management and monitoring roles but is a development center of the Tax Administration.

The territorial distribution of certain parts of the business processes should be retained, first of all for servicing the taxpayers but also for the sake of rational and efficient use of the resources of Tax Authority.

Although the internal organization of the Tax Administration is hierarchical, with a strong subordination, the autonomy should be given to the organizational part in the segment of selection and executions of certain business functions, and ensure the articulation system to the local organizational units towards the Head Office within one part of business functions.

The organization of business function, apart from the analytical monitoring for internal use of the Tax Administration, should provide analytical base for:

- The requirement of operative management of business functions by the Tax Administration Management;
- Definition of and realization of a part of fiscal policy and modeling of legal and taxation solutions within the scope of competence of the Ministry of Finance. As a competent and responsible state authority for creation, policy pursuit and management of public finance;
- Aggregate data for other users of the public sector, and in a rational way (ministries, agencies, etc.).

ADMINISTRATIVE CAPACITIES

The Ministry of finance - Sector of fiscal system is dealing with the regulatory issues, involving 12 legal and regulatory texts governing the taxation system and taxation policy in the Republic of Serbia, and other jobs concerning the regulations, application and effects of the system and taxation policy and

other public charges. In the Sector, consisting of seven Groups, this matter is discharged by 20 employees. It should be added that training of the new recruited staff to do the job on their own in the area of any taxation form takes about three years.

Hence, in view of the workload of drafting tax regulations it is clear already at this stage that the employees are fully engaged and that the burden of regulatory and legislative activities in the future will be shouldered by the mentioned number of employees; it is to be expected that the scope of work will considerably grow in the process of harmonization of the national legislation to the EU regulations in this field; under the medium-term plan, it has been envisaged that human resources in this sector should be strengthened according to the following time-table:

3.16.6 INSTITUTIONS

Institution name	State if the institution is planned or	Current no. of employees	Planned and (total) number of employees (by years)				
			2008	2009	2010	2011	2012
Ministry of Finance-Sector of taxation system	Existing	20	24	32	40	51	62
Total:		20	24	32	40	51	62

The Ministry of Finance – Tax Administration

A) SHORT-TERM PRIORITIES.

1. Service to taxpayers

The goal of the Tax Administration - redesigning into client oriented tax administration requires intensification of activities to serve the taxpayers. In that context the need of the Tax Administration to increase the administrative capacities is based on the following:

- Further development of e-service, namely accessibility to all the tax payers, for all taxation forms, requires additional recruitment of about 5 - civil servants territorially distributed in the Head Office of the Tax Administration, CBPO and organizational units of the Tax Administration; - for the establishment of a new organizational part of the Tax Administration - Focal Point it will be necessary to recruit 45 civil servants, both in the part of management of that function, and in the operational part of the new organizational part of tax administration and additional recruitment of 5 designers;
- Permanent education of taxpayers via brochures, leaflets, guides though new taxation forms or new obligations stemming from the changes in the current tax regulations, requires recruitment of 3 civil servants who would be involved in graphic design.

2. Integrity and professionalism of the staff as a precondition for full service to taxpayers

Integrity and professionalism of civil servants in the Tax Administration can be provided by prudent employment policy, training and internal communications. Hence, there is a need to recruit 55 civil

servants, of whom 5 would be in charge of HR and supervision over the implementation of civil servants' Code of Conduct, while another 50 would perform the function of trainers of employees in the tax administration, as permanent lecturers and authors of training material.

B) MEDIUM TERM PRIORITIES

1. The designing of business functions for total risk management in the basic functions of tax administration

Designing business functions for total risk management means the maintenance of the Central Register of taxpayers, timely performance of legal obligations of filing tax returns and payment of tax dues, but also swift and precise identification of taxpayers acting illegally. Further to that HR requirements will be as follows:

- Under the Project "Central register of taxpayers" additional 25 civil servants;
- Under the project "Tax Accounting" additional 10 civil servants;
- In the "Risk Analysis" additional recruitment of 20 tax surveyors, 10 for auditing and 10 for tax police; for the data exchange as an element of early warning, for monitoring part of the program "Fiscalis 2013" relating to the international exchange of information on VAT (EU18). 10 civil servants territorially distributed by organizational units of the Tax Administration;
- Within the information exchange with other tax administrations on the individual taxpayers, it will be necessary to form a new organizational part in the Division of tax-legal affairs and coordination in the Headquarters of the Tax Authority staffed with 10 civil servants;
- Within the exchange of information and best practices among the tax administration involved in the International Association of Tax Administrations (IATA) additional 5 civil servants should be recruited;
- Within the automation of business functions, and the part concerned with planning and management with control resources and development of appraisal system of performance and career building, there is a need to recruit another 20 civil servants;
- Within the definition and implementation of tax policy and modeling of legal taxation solutions within the competence of the Ministry of Finance, more civil servants will be needed in the Division of taxation and legal affairs and coordination: another 10;
- Within the project implementation of the «Information System Security Management» another 15 civil servants will be needed.

The realization of the mentioned HR needs, both in terms of newly established organizational parts in the tax administration, and additional recruitment of civil servants, would ensure the final organizational design of the Tax Administration as client oriented tax administration in terms of its organization and management of the main business functions.

It is of high importance to implement all the above mentioned before 2010, to allow the introduction, by the end of 2012, of the main function of the tax administration into stable legal and working environment, namely steady implementation of defined standards of functioning.

The need to increase administrative capacities is presented in the table, and by the elements and instructions provided by the European Integration Office.

Table 1

The requirements of the Ministry of Finance - Tax Administration in manpower

FIRST DRAFT
UNOFFICIAL TRANSLATION

Name of institution		State of the Institution/Service is existing or planned	Current no. of employees	Planned (total) number of employees by years				
				2008	2009	2010	2011	2012
Ministry of Finance -Tax Authority		Existing	6,468	105	75	40	220	220
Head Office	Focal Point of Tax Authority	Planned		55			55	55
Head Office for taxation and legal affairs and coordination	Department for international data exchange and cooperation	Planned			5	5	10	10
TOTAL:			6,468	6,628	6,708	6,753	6,753	6,753

3.17. ECONOMIC AND MONETARY POLICIES

3.17.1. General guidelines

The Laws regulating public and monetary finances represent the main legal framework in that area. Most of the Laws had been enacted, while others are in the Parliamentary pipeline for promulgation. The organic laws enacted in the Serbian Parliament are: The Law on taxation procedure and tax administration, the Law on budgetary system, the Law on public debt, The Law on public procurement, the Law on the State Auditing Institution, The Law on the National Bank of Serbia and the Law on banks. The Law on state aid is under preparation. Those laws, largely adjusted to the communitarian law considerably modernized the fiscal and monetary systems. Yet another harmonization of those organic laws to the EU laws and regulations will be necessary.

Within the public finance, the government of the Republic of Serbia enacts every year, in compliance with the provisions of the Law on budgetary system, a Memorandum on the budget, and economic and fiscal policy, having introduced medium-term planning of public finance for the period of three years. The Memorandum provides a basis for defining the entire economic policies, by setting out the main goals and guidelines for macroeconomic and fiscal guidelines for public finance management and efficient control of budget spending.

The Memorandum defines macro economic framework for the next budget year and projections of the main indicators for the next two years and on the basis of it defines the projection of budget income and budget spending for the next three-year period, as well as assumptions and risks of the defined projections and policies in the medium run.

In compliance with the budget calendar established under the Law on the budget system, the government of the Republic of Serbia, since 2003 enacts an annual Memorandum on the budget on 15 May, to be revised on 1 October. The practice of drafting a Memorandum on the budget is in keeping with the practice of the developed countries and has been proved to be efficient in creating a rational framework to the pursuit of economic and fiscal policy and creation of guidelines.

The Memorandum of the budget is the first stage in a comprehensive planning process of the budget and comprises the macro economic and fiscal assumptions for the budget of the Republic, Province and local governments and the financial plans of the organizations of the obligatory social insurance.

Within the monetary finance, the National Bank of Serbia enacts the program, for monetary policy next year setting out the main goals of the monetary policy.

The economic and monetary policies in the pre-accession stage of the integration process to EU shall be set out in the stated documents to be approved by the government of the Republic of Serbia and Monetary Board of NBS.

The main institutions responsible for coordination and implementation of the stated economic and monetary policies are: the Ministry of finance, Ministry of economy and regional development and the National Bank of Serbia as well as other republic ministries in charge of economic affairs.

3.17.2. Monetary policy

3.17.2.1. State of play

3.17.2.1.1. Legal framework

The Law on the National Bank of Serbia („Official Herald of the Republic of Serbia“, no. 72/2003, 55/2004 and 85/2005) – (hereinafter: the Law on NBS), was promulgated 18 July 2003, and partly harmonized with the EUR regulations and the Statute of SCAB and ECB. That law regulated the position, organization, authorities and functions of the National Bank of Serbia as well as the relations of the National Bank of Serbia with other authorities in the Republic of Serbia, the international organizations and other institutions (Article 1).

The main objective of the National Bank of Serbia is the achievement and maintenance of price stability (Article 3 par 1), and in addition the maintenance of financial stability. The National Bank of Serbia supports the implementation of the economic policy of the government of the Republic of Serbia, operating in conformity with the principles of market economy, without questioning the achievement of its main goal (Article 3, par 2).

The independence of the National Bank of Serbia in performing its functions is set in the Constitution of the Republic of Serbia (Article 95), while the Law on the National Bank of Serbia stipulated that the National Bank of Serbia is independent and autonomous in its work (Article 2, par 2). The institutional and functional independence was additionally guaranteed under the provisions of the mentioned Article (par 3) stating that the National Bank of Serbia in performing its function shall not accept or ask for instructions of state authorities or other persons. The National Bank of Serbia, in performing its functions cooperates with the government of the Republic of Serbia and other state authorities within its competences, and shall take steps aiming at enhancement of cooperation (Article 10). The mentioned provisions guarantee to the National Bank of Serbia a high degree of functional independence that is autonomy.

The National Bank of Serbia has three boards: the Monetary Board of the National Bank of Serbia (hereinafter the Monetary Board), the governor of the National Bank of Serbia and the Council of the National Bank of Serbia (Article 12). The Monetary Board, made up of the Governor and Vice-governors of the National Bank of Serbia determine the monetary policy (Article 13 and 14). The Governor of the National Bank of Serbia is elected by the Parliament at the proposal of the Parliamentary Committee in charge of finance, for five-year term of office and the right to reelection (Article 16 par 1).

That Law set out that only the person who met the general conditions for employment in state administration can be elected as governor, with university degree and adequate experience in the field of economy, finance and banking and outstanding results as an expert or scholar in those fields (par 2). The Governor shall manage the National Bank of Serbia (Article 95, par 2 of the Constitution of the Republic of Serbia), namely represent the National Bank of Serbia (Article 9) and is accountable for accomplishment of its goals (Article 17). The National Bank of Serbia shall have three to five Vice-governors, elected by the Council of the National Bank of Serbia at the proposal of the Governor, for five years, with the right to reelection (Article 19). The Council of the National Bank of Serbia shall have a chairman and four members elected by the Parliament at the proposal of the Committee of the Parliament in charge of finance, for five years, with the right to reelection (Article 23.). The Governor, vice-governors and members of the Council shall be relieved of their function before the lapse of their term of office at their own request or if their employment shall be terminated because of legal pension age and in the case of recall (Article 30, par 1). The conditions of recall of the Governor, Vice-governor and member of the Council are enumerated in Article 30, par 2. The term of office of the Governor and members of the Council is five years and is one year longer than the term of the Parliament that is the government of the Republic of Serbia, as a guarantee to the personal independence of the National Bank of Serbia relative to those authorities of the Republic of Serbia.

The National Bank of Serbia provides the Parliament with the program of monetary policy for the next year for information, report of operations and the results, report on the monetary policy – with the explanation of all the factors affecting the implementation of such a policy, the report on the status in the banking sector and in the overall financial system of the Republic of Serbia (Article 71), and the financial plan for the coming year (Article 80). The Council of the National Bank of Serbia shall submit the annual accounts to the Parliament with the report of the certified auditor (Article 79).

The National Bank of Serbia may grant credits to the Republic of Serbia for financing temporary ill liquidity in the budget. The maximum amount of credit and repayment terms is stipulated in the same Law (Article 39).

The National Bank of Serbia in its operations uses the assets of the Republic of Serbia determined in the Law on NBS (Article 73). The capital of the National Bank of Serbia is also set out in this Law (Article 77). Special reserves of the National Bank of Serbia are formed out of the excess revenues, while the excess reduced for the amount of non realized revenues make up the revenue for the budget of the Republic of Serbia. Excess expenditures over the revenues is covered from special reserves, and if such reserves would not suffice, then from the budget of the Republic of Serbia or issue of securities for the purpose by the Republic of Serbia and their transfer to the National Bank of Serbia (Article 77).

Monetary policy and its instruments

The Law on NBS constitutes the main legal framework for determination and implementation of monetary policy, and the management of the exchange rate for the Dinar. In addition, the Law on the foreign exchange transactions («Official Herald of the Republic of Serbia» no. 62/2006) is a legal framework for the operation of the foreign exchange market and forming the exchange rate of the local to foreign currencies.

The National Bank of Serbia adopted on 30 August 2006 the «Memorandum of principles for the new framework on the path of achieving the goals of low inflation» to enhance the monetary policy and timely provision of flexible and sustainable framework through the period of accession to EU. Further to the Memorandum, the National Bank of Serbia has accomplished its main goal – achievement and maintenance of price stability within the framework of the defined inflation corridor (the corridor of the core inflation) with the help of reference interest rate as the main instrument of monetary policy. Other measures of monetary policy, including the intervention on the foreign exchange market play an ancillary role. In addition to the reference rate a symmetric corridor was introduced of the interest rates of the National Bank of Serbia on the money market, in the range from the interest rate to deposit facilities as the lowest interest rate to the interest rate on credit facilities, as the highest rate of the National Bank of Yugoslavia.

The reference interest rate is established by the Monetary Board at its sessions held according to the schedule determined and announced in advance. The decisions changing the reference interest rates are taken by the Monetary Board based on the analysis and forecasts of macro economic and inflation trends.

According to the new framework monetary policy, the National Bank of Serbia continues to implement the regime of flexible foreign exchange rate, and intervenes on the foreign exchange market only in exceptional cases for the stabilization of the market.

The National Bank of Serbia is acting transparently in the pursuit of the goals of monetary policy, in compliance with responsible public relations. The major means of communication of the National Bank of Serbia with the public is the inflation reports, prepared quarterly and containing the appraisal of the current economic situation and monetary policy, and forecast of future trends.

Regulatory and institutional reform of monetary policy was started back in 2002, when the instruments and measures of monetary policy and money market operations were introduced under the new lateral regulations of the National Bank of Serbia.

The basic instrument of the monetary policy, set out in the decisions of the National Bank of Serbia is as follows:

- Interest rates of the National Bank of Serbia:
 - Reference interest rate – interest rate on 2W repo operations,
 - Interest rates on credit facilities,
 - Interest rates on deposit facilities,
 - Other interest rates of the National Bank of Serbia in the monetary regulation.

- Operations on the open market
 - Issue of short-term securities (treasury bills of the National Bank of Serbia)
 - Repo transactions with securities
 - Permanent securities transactions

3. Legally required reserve

- Legally required reserve of RSD basis
- Legally required reserve of foreign exchange basis

4. Permanent facilities

- Liquidity maintenance credits based on securities – intraday and Lombard credits (credit facilities)
 - Depositing surplus liquidity with the National Bank of Serbia (deposit facilities).

The current instruments and measures of monetary policy of the National Bank of Serbia are partly harmonized with the instruments of ECB, provided that the National Bank of Serbia applies those instruments and measures in the circumstances of structural surplus liquidity in the banking system and insufficiently developed financial market. Hence, the dominant instruments of the National Bank of Serbia for withdrawal of excess liquidity from the banks are the sales of securities at auctions arranged by it, the legally required reserves and deposit facilities, while Lombard credits are rarely used. Also, the National Bank of Serbia performs out of the foreign exchange transactions only spot purchase and sale of foreign exchange (euro) as necessary intervention on the foreign exchange market.

Currently, the National Bank of Serbia is involved in 2W repo operations against securities that could be the short-term securities of the National Bank of Serbia and short-term and long-term securities of the Republic of Serbia, at regularly held auctions at the fixed interest rate, according to the calendar fixed and announced in advance. Those transactions are carried out in keeping with the decision of the National Bank of Serbia on the transactions on the open market and in compliance with a general repo agreement concluded between the banks and the National Bank of Serbia. That agreement made by the National Bank of Serbia together with the banks back in 2004, is adjusted to the general standards for international repo agreements. Also the National Bank of Serbia organizes monthly auctions at a variable interest rate for permanent sale of securities with a longer maturity. In addition to auctions the National Bank of Serbia can make direct, bilateral transactions with the participants. The National Bank of Serbia carries the operations at the open market with the participants, all the banks meeting the prescribed conditions.

Securities are transacted electronically, via modern auction platform of the National Bank of Serbia using RTGS - Real Time Gross Settlement system. Clearing and settlement of securities take place via

Central register, custody and clearing of securities on the day of conclusion of a transaction (T+0) on DVP (Delivery Versus Payment) model.

Also, the use of permanent facilities is automated, while the collateral for credit facilities is the securities tradable at the open market.

In compliance with the decision of the Monetary Board the National Bank of Serbia, in the process of implementation of the monetary policies avails itself of the legally required reserve as a classical instrument of monetary regulation. The main characteristics of the instrument are the calculation of the legally required reserve on the Dinar and foreign exchange liabilities under for the deposits, credits, securities and others, under differentiated rates, that the Dinar legally required reserve is calculated in Dinars and the foreign exchange in euro (only exceptionally it may be set aside in US Dollar). In the accounting period, lasting a month, the bank are obliged to maintain the average daily position of the separated legally required reserve in the amount of the accounting reserve.

In addition to the mentioned indirect instruments of monetary policy, the National Bank of Serbia introduced in 2006, with the view to limiting growing credit activities of the banks towards the citizens, which is the adjustment of placement to the retail sector to the equity capital of the bank.

Issue of banknotes and coins

The Law on NBS is a legal framework for regulation of the issue of banknotes and coins, the denomination structure and main characteristics of banknotes and coins, circulation and withdrawal from circulation the banknotes and coins, treatment of forged banknotes and coins.

Management of foreign exchange reserves by the National Bank of Serbia

The management of foreign exchange reserves is regulated by the Law on the National Bank of Serbia, General and Operating guidelines issued by the Monetary Board. NBS applies the man principles of safety, liquidity and profitability in its management practice.

The Law on the National Bank of Serbia stipulates that the National Bank of Serbia manages the foreign exchange reserves in the manner best adjusted to the monetary and foreign exchange policy of streamlining the Dinar exchange rate and maintenance of the level of foreign exchange reserves, and liquidity level in the international payments (servicing of debt dues and liabilities in the foreign currency; payment of sovereign costs abroad and the similar).

The structure of the foreign exchange reserves is made up of the claims of by the National Bank of Serbia on the accounts abroad, securities denominated in foreign currency units available to the National Bank of Serbia, the special drawing rights, gold and effective foreign money.

Payments system

The Republic of Serbia has a modern, reliable and efficient payments system.

The transactions of payments in the Republic of Serbia are governed by the Law on payments transactions («Official Herald of FRY» no. 3/2002 and 5/2003, and «The Official Herald of RS «, no. 43/2004 and 62/2006) and by a series of lateral regulations of the National Bank of Serbia stemming from the said Law. The Law on the payments transactions and the mentioned lateral regulations are compliant with the provisions of the “Directive 31998L0026 of the European Parliament and the Council, of May 1998 on settlement finality in payment and securities settlement systems” – in the part where the Directive refers to the system of payments.

The Law on NBS prescribes that the National Bank of Serbia regulates, controls and enhances smooth functioning of payment transactions nationally. The National Bank of Serbia is the operator of RTGS

and the clearing system. The mentioned system is completely adjusted to CPSS Core Principles for Systemically Important Payment Systems, confirmed in the Financial Sector Assessment Program for the Republic of Serbia.

Statistics

The National Bank of Serbia is the only authorized institution to collect process and publish the monetary statistics. The Monetary statistics in the National Bank of Serbia is compiled in compliance with the IMF “Monetary and Financial Statistics Manual.” Apart from the monetary statistics, the National Bank of Serbia monitors also some financial indicators (bank interest rates, money market interest rates and the data on the government securities).

The National Bank of Serbia is also the only official institution authorized for collection, processing and publishing the data on balance of payments statistics, compiled and processed in keeping with IMF “Balance of Payment Manual, 5th Edition”. Also, the National Bank of Serbia collects, processes and published the data on the external debt statistics according to IMF “External Debt Statistics – Guide for compliers and users”.

The presentation of the financial accounts and financial reporting of the National Bank of Serbia is adjusted to IFRS.

3.17.2.1.2. Institutional framework

The National Bank of Serbia is the central bank of the Republic of Serbia, independent and subject to the supervision of the Parliament of the Republic of Serbia, to whom it reports (Article 95, par 1, of the Constitution of the Republic of Serbia). The Constitution of the Republic of Serbia contains the grounds for the enactment of the Law on the National Bank of Serbia (Article 95 par 3). The National Bank of Serbia is entitled to propose laws within its scope of competences (Article 107).

The Bills proposed by the National Bank of Serbia are subject to the opinion of the government of the Republic of Serbia (Article 123, item 4).

3.17.2.2. Short-term priorities

3.17.2.2.1. Enactment of new regulations

The accomplishment of short-term priorities should result in the high level of harmonization of all the regulations forming the legal framework for the monetary policies with the EU regulations. Further to that, the new Law on the National Bank of Serbia, as an organic law in this area, will be enacted before the end of 2009. The main goal of the forthcoming law will be its further harmonization with the provisions of the Agreement of EU and the status of EVSB that is ECB. Namely, the achievement of this goal will be primarily reflected in the stipulation of clear definitions of functional, institutional, personal and financial independence of the National Bank of Serbia and its goals. The new law shall stipulate precise definitions of the conflict of interest (the Governor and, members of the Council of the National Bank of Serbia), while the provisions on the capital and reserves of the National Bank of Serbia will be fully compliant with the standards of ECB. It is intended to harmonize the definitions of revenues and expenditures of the National Bank of Serbia with the accounting rules, procedures and standards of ECB. The new law will also have the provisions which will regulate the relationship of the National Bank of Serbia with the EU, namely with the ECB and other organs and organizations of EU. Further to the new Law on the National Bank of Serbia the new Statute of the National Bank of Serbia will be drawn.

The harmonization of the instruments of monetary policy of the National Bank of Serbia with the ECB instruments

The National Bank of Serbia is committed to the improvement and maximum possible harmonization of its instruments of monetary policy and monetary operations with the instruments and monetary operations of ECB. A more flexible and diversified application of the instruments of monetary policy, first of all the market instruments and those intended to fine-tuning of liquidity will depend on the liquidity position in the entire banking sector and the stage of development of the financial market. Depending on the decrease of sources of foreign exchange inflow, the structural surpluses in liquidity would progressively drop. In cooperation with the Ministry of Finance the strategies of issues of securities of the National Bank of Serbia, should be harmonized with the Government in support to the secondary market of securities and expansion of the investor base. Enhancement of the analytical function in the National Bank of Serbia has been planned and drafting liquidity forecasts and inflationary trends. The National Bank of Serbia will adopt a new framework for foreign exchange operations to help implement those operations.

3.17.2.3. Medium-term priorities

The medium-term priorities are dependent on the achievement of short-term priorities and higher degree of cooperation with EU and its institutions, namely acceleration of the process of accession of the Republic of Serbia to EU.

The regime of target inflation has been planned to be introduced as a framework for maintaining low and stable inflation, with the support of the Ministry of Finance. Simultaneously, it has been planned with the Ministry to undertake a series of activities to improve the financial markets and better coordinate the monetary policy and public debt management.

The function of foreign exchange reserve management under the current legal framework should be harmonized with the European legislation to comply with the provisions of ECB and EU. Given the harmonization of legislation it will be necessary to enact lateral regulations for harmonization of local regulations with the UE Directives concerning foreign exchange reserves management.

The biggest challenge in terms of accounting confronting the National Bank of Serbia will be the transition from IFRS to ECB guidelines for accounting and financial reporting in ESCB. It would entail changing the Law on NBS and currently valid Law on Accounting and Auditing. («Official Herald of the Republic of Serbia» no. 46/2006).

The local legislation governing the issue of banknotes and coins and prevention of forgeries will be harmonized to the highest possible extent with EU provisions.

The activities to be undertaken in this period will be particularly targeted to the harmonization of local regulations with the following EU regulations:

- EU Regulation 98/415/EC on the submission of regulations of Central banks to EU institutions,
- EU Regulation 71/142/EEC, 64/300/EEC, 64/301/EEC governing mutual cooperation of national central banks of EU member states and their cooperation with the European Central Bank.
- EU Regulation 2001/150/EC on the publication of certain legal documents and other instruments of ECB,
- EU Regulation (EC) No 2532/98 and the Regulation of ECB (EC) No. 2157/1999 authorizing ECB to declare sanctions on the national central banks of EMU member countries for nonobservance of regulations issued by it,
- Directive ECB/2002/6, governing the minimum standards for ECB and national central banks on the internal procedure of monetary and foreign exchange operations (avoidance of potential

conflict of interest, ban on the use of insider information and the similar) and the guidelines ECB/2006/4 ECB/2000/15, ECB/2006/28, ECB/2007/6 which stipulate the management of foreign exchange reserves of ECB and the central banks of domicile countries.

Further and progressive harmonization of local regulations in the area of monetary policy with the regulations of the European Union will depend on the achieved level of macroeconomic and financial stability, development of the money market, liquidity position of the banking system and other conditions of planning and implementation of monetary policy. The National Bank of Serbia will streamline its activities towards maximum possible harmonization of regulations with EU legislation concerning the instruments of monetary policy that is:

- Monetary policy instruments (except legally required reserve governed by other regulations), will be progressively harmonized with the monetary instruments provided in the Guideline ECB/2000/7 on monetary policy instruments and procedures of the Euro system with changes (ECB/2005/2, ECB/2005/17, ECB/2007/10),
- The National legislation which regulates the legally required reserve will be progressively and within possible framework, harmonized with the ECB regulations on the legally requires reserves (EC No 2531/98, EC No 134/2002, EC No 1745/2003).

3.17.2.4. Financial requirements

3.17.2.4.1. Budget

3.17.2.4.2. External assistance

In the past, different Divisions of the National Bank of Serbia had external assistance, mainly from the International Monetary Fund. The technical assistance was concentrated on the improvement of operations of the central bank on the money market, more efficient forecasting and management of liquidity, and improvement of operations on the foreign exchange market. Also the training of staff via various seminars in the country and abroad, organized by the international institutions, NBS and the central banks abroad. Currently, the National Bank of Serbia has IMF technical assistance concerning balance-of-payment statistics (foreign remittances statistics), while it is expected that funds will be approved within pre-accession assistance of EU (IPA) for the year 2008 for the enhancement of the function of foreign exchange reserves management of the National Bank of Serbia, inter-bank trading and harmonization of the national legislation to *acquis communautaire* of the European Union. Technical assistance of the European Central Bank is planned in 2008 and 2009 for assessment of needs of the National Bank of Serbia and evaluation of its operations compared to the standards of the European Central Banks system.

3.17.3. Economic policy

The economic policy in the short run (biannual) perspective will be targeted at macro economic stability and establishment of a functional market economy, while in the medium run (five-year) perspective to the liberalization and structural changes and creation of competitive economy capable of competing at EU market.

I. Short-term priorities

In line with the Law on budget system, the Government will approve in 2008 and 2009 (15 May) and revise (1 October) the Memorandum on the budget and economic and fiscal policy, which will

determine the macro economic and fiscal framework for the medium term, and medium-term goals and directions of economic and fiscal policy.

The main targets of economic policy in the short run will be to maintain a dynamic economic growth, with reduced macroeconomic imbalances (inflation and deficit of fiscal and external sectors) and lower unemployment rate.

The reduction of macro economic imbalances will call for significant drop in the local demand in the next two years, primarily via strong fiscal adjustment but also via slower growth in earnings and slowing down of credits. In addition, the policy of stable foreign exchange rate will contribute to lowering inflation, and the policy of more efficient control of wages in the public sector (state authorities, public services and public companies). Hence, low and foreseeable inflation will continue to be the main priority in the macroeconomic policy.

The growth of BDP, in a stable macroeconomic environment, has been forecasted at high rates and increase in employment based on increased savings and investments. The growth in economic activity and employments in 2008 and 2009 entails improved investment climate in the country, improvement in the real and financial sectors, liberalization and flexibility of public administration, public services and public companies. To that end, with the privatization and stable macro economic environment it will be necessary to reduce administrative barriers in the operations and investments, step up bankruptcy proceedings and reduce shadow economy. The measures aimed at the improvement of investment climate are connected to the structural reforms. The modernization of judiciary and expedience of courts, accelerated bankruptcy proceedings and stepping up the land reform, quicker issue of building permits and suppression of corruption are the measures conducive to more friendly investment climate.

The Government will step up the implementation of restructuring of public and other companies in 2008 and 2009, which rely on state assistance, conducive to strengthening of financial discipline and better transparency of operations, gradual reduction of subsidies and faster privatization of public companies.

The Government will continue to support small and medium enterprise this and next year and development of clusters in the industrial sector as a generator of employment. Part of the measures will be aimed at supporting PPP as a form of providing public goods and services. The Government will continue to invest in infrastructure as a general developmental premise.

II. Medium-term priorities

The Government of the Republic of Serbia will step up economic reforms, with the view to enhancing the economic performance requisite for EU accession, conducive to the establishment of the market environment and competitive economy and will pursue the economic policy, which will establish and maintain internal and external macroeconomic equilibrium (price stability and public finance sustainability and balance-of-payment).

Economic reforms and economic policies to be implemented till 2012 are intended to accelerate approximation of Serbia to EU and lay the foundation for EMU membership, which requires fulfillment of the Maastricht criteria: low inflation rates, low share of budget deficit in BDP, sustainable share of public debt in BDP, stable foreign exchange rate.

Economic policy in the period to 2012 will be focused on the fulfillment of economic criteria from Copenhagen as a precondition for full membership in EU. To that end, the market economy establishment will be in the forefront along with the achievement of sustainable economic growth in terms of quality of life, protection of the environment and social cohesion, provided higher employment and strengthening of competitiveness of the Serbian economy.

The main goals of economic policy in the medium run perspective are the reinstatement of the economy of Serbia on the track of long-term sustainable growth and continuation of European integration.

The measures of economic policy till 2012, have been planned under the assumption that the inflow of foreign direct investments in Serbia will be 3-4 billion euros p.a., and that net credits will yield additional 2 billion euros p.a., or so It was estimated that the mentioned inflow of external capital will be sufficient to cover the current balance deficit, opening up the space for *gradual* reduction of the share of local spending in BDP. If the mentioned inflow of external capital accrues, the planned fiscal adjustment in the medium term will suffice to prevent unsustainable growth of external debt and essential reduce the likelihood of balance-of-payment crisis. In the case of balance-of-payment trends will be less favorable than expected the Ministry of Finance will in cooperation with NBS and other state authorities, take additional measures to reduce domestic demand.

Provided that programmed measures of economic policy are implemented, structural reforms accelerated, and European integrations continued, in the following mid-term period Serbia should be able to achieve a high average annual growth rate of GDP. High growth of economy would enable continuation of positive tendencies on the labour market and substantial reduction of the unemployment rate. Diminishment of internal imbalances would result in a gradual inflation decline to the level similar to that in EU countries.

The realization of planned measures of economic policy and structural reforms would contribute to the reduction of internal and external imbalances, which would help make the economic growth of Serbia sustainable in the long run. Instead of current deficit, as early as 2010, the consolidated state sector would earn a significant surplus. The current balance-of-payment deficit would also be reduced to a sustainable level in the long run, while the ratio of external debt to BDP would be approximately the same as now.

To maintain the stabile macro-economic environment and step up economic growth it will be necessary to introduce strict coordination of monetary and fiscal policies in the period till 2012. The monetary policy will have to be targeted at the achievement of low inflation rate along with the maintenance of a stabile exchange rate of the Dinar to Euro, while the fiscal policy will be targeted at the fiscal consolidation. It is of special importance to implement complementary measures supplementing the framework of economic policy in the medium and longer run, including strengthening of institutions and their adjustment to EU practice.

Of particular importance for the development of the economy of Serbia in the period to come are as follows:

- Maintenance of restrictive fiscal policy and provision of balance between social policy and long-term sustainability of public finance;
- The development of the strategy of privatization, and where necessary also the restructuring of public companies towards better management, efficiency and financial stability of state companies;
- Consolidation of operative and financial independence of regulatory authorities, with the aim of increasing transparency Strengthening of operative and financial independence of regulatory authorities, with the view to increasing transparency and competition in the public sector;
- Creation and implementation of a pro-active policy of labor market, targeted at balancing supply and demand on the labor market and increasing the share of the educated labor in the overall supply of work force. Thus a functional labor market could be created as well as more efficient employment policy;

- Creation and implementation of pro-active education policy at all the levels to improve capacities and knowledge needed in the modern labor market;
- Creation and implementation of a pro-active policy of higher competitiveness of economy and improved export capacities;
- Realization of huge infrastructural projects of special importance for economic development of the country (the Corridor 10 and other projects)

The goals of fiscal policy, as the key component of macroeconomic policy, in the medium term perspective are the strong fiscal adjustment, continued taxation reform and improvement of public finance management, especially of public spending.

The fiscal policy as a key component of economic policy in the period till 2012 will focus on further strengthening of budget management and fiscal adjustments to result in fiscal surplus. To that end, at the revenue side through modernization and strengthening of processes of tax collection through capacity building of tax administration, while at the spending side the control function shall be consolidated and efficient spending of budget funds.

The fiscal adjustment will be achieved via reduction of the share of public spending in BDP, while the share of public revenues in BDP will remain approximately unchanged. Accomplishment of surplus in the consolidated balance of the state will have an impact of lowering domestic demand, while indirectly the reduction of deficit in the trade and current balance-of-payment. Parallel to the reduced share of public spending in BDP, its major structural change has been planned along the reduction of the share of the current spending and increase of share of capital expenditures. This shift in structure would be achieved by growing real level of current expenditure at the rate below the growth rate of BDP, while the capital expenditures should grow at the same rate as BDP.

The fiscal policy will contribute to the economic growth through taxation policy, which shall encourage investment and employment. To that end the simplification of taxation system will continue and improvement of its allocation efficiency. The taxation system in Serbia in the previous years was reformed and considerably adjusted to the practice of modern market economies, especially of EU countries. In the next medium-term period it has been planned to continue tax reforms in the individual segment of taxation system.

The improve management of public finance shall involve:

- Gradual introduction of program budget;
- Introduction of medium-term framework for expenditures from the budget of the Republic;
- Formation of the Public Debt Administration and enhanced public debt management;
- Improved public investment management;
- Adjustment of the policy of state assistance to EU principles;
- Strengthening of internal auditing and budget inspection;
- Sound management of EU funds (IPA, assessment of funds for co-financing of development programs, ...);
- Creation of the conditions for work of the State Auditing Institution.

Administrative capacities

Name of institutions: Ministry of finance	Is the institution in existence or planned	Current number of employees	Planned (total) number of employees (by years)					
			2008	2009	2010	2011	2012	

Division of fiscal and macro economic analyses and projections	Existing	6	12	12	12	12	12
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ADMINISTRATION CAPACITIES - SUBGROUP 17 – ECONOMIC AND MONETARY ISSUES						
Name of Institution: National Bank of Serbia	Indicate whether the institution already exists or it is planned	Current number of employees	<i>Planned (total) number of employees</i>	<i>Planned (total) number of employees</i>	<i>Planned (total) number of employees</i>	<i>Planned (total) number of employees</i>
			2009	2010	2011	2012
Monetary System and Policy Department	Existing	4	8	10	14	14
Payment System	Existing	1	1	1	1	1
Treasury Department	Existing	3	3	4	4	4
Foreign Exchange Department	Existing	4	5	5	5	5
Accounting and Finance	Existing	3	4	5	6	7
Economic Analyses and Research Department	Existing	3	3	4	4	4
Legal Department	Existing	2	2	2	3	3
International Relations Department	Existing	1	2	2	3	3
Total		21	28	33	40	41

3.18. STATISTICS

The legislative framework

3.18.0.1. The state of play

The Statistical Office of the Republic of Serbia (SORS) is a special organization performing technical tasks and the scope of its activities is regulated by the Law on Ministries ("The Official Gazette of the Republic of Serbia" Nr. 43/2007) and the Law on Statistical Surveys ("The Official Gazette of the Republic of Serbia" Nr. 83/92, 53/93, 67/93, 48/94, and 101/2005).

The fundamental legislation regulating the area of official statistics is the Law on Statistical Surveys. The Law sets out the bases for development and enhancement of the national statistical system, specifically:

- it determines the statistical surveys.
- it determines the subjects of statistical surveys.
- it defines the division of competences in the area of statistics among the SORS and other authorities.
- it undertakes the obligation to adopt the five-year statistical survey program.
- it defines the manner of publication of results of statistical surveys and the use of data.
- It defines the confidentiality and protection of certain data.

The program of development of official statistics is implemented according to the Strategy of Development of Official Statistics adopted by the Government of the Republic of Serbia ("The Official Gazette of the Republic of Serbia" Nr. 111/2006). Apart from defining the fundamental strategic development objectives, the Strategy includes a specific program of changes with an implementation plan for the forthcoming period. Since 2007, the legal basis for the execution of annual surveys is set out in the Decree on determining specific statistical research, adopted by the Government of the Republic of Serbia.

The Government of the Republic of Serbia developed the proposed Law on Official Statistics on 19 October 2007 and sent it to the National Assembly for consideration. The proposed law is harmonized with the basic principles and provisions contained in Regulations 322/97, 1588/90, 831/2002, and Decision 97/281/EC, as well as in the Fundamental Principles of Official Statistics, UN ECE) and the European Statistics Code of Practice (2005). After the adoption of the Law on Official Statistics, it will be possible to adopt also other documents harmonized with EU standards, necessary for the building of a legislative framework for efficient statistical system.

The National Bank of Serbia (NBS) is the organization in charge of collecting, processing and analyzing the monetary statistics data in the Republic of Serbia. Monetary statistical data are processed in compliance with the Law on the National Bank of Serbia („The Official Gazette of the Republic of Serbia“, Nr. 72/2003, 55/2004), The Law on Statistical Surveys („The Official Gazette of the Republic of Serbia“ Nr. 83/92, 53/93, 67/93, 48/94, and 101/05) and the „Monetary and Financial Statistics Manual” of the International Monetary Fund.

The overall external debt of the public and private sector of the Republic of Serbia is monitored by the National Bank of Serbia according to the Law on the National Bank of Serbia („The Official Gazette of the Republic of Serbia“ Nr. 83/92, 53/93, 67/93, 48/94, and 101/05), the Law on Foreign Trade (The

Official Gazette of the Republic of Serbia“ Nr. 62/2006) and the External Debt Statistics of the International Monetary Fund.

3.18.0.2. Short-term priorities

- The Law on Official Statistics;
- Program for 2008 – 2012;
- Plan for 2009;
- The Law on Standard Classification of Activities;
- The Decree on Standard Classification of Activities;

3.18.0.3. Mid-term priorities

- The Law on Census of Population, Households and Housing.
- The Law on Census of Agricultural Farms.

3.18.1. Population-social statistics

3.18.1.1. The state of play

Population and census – The census of population, households and housing will be carried out in 2011, according to international recommendations (Recommendations for the 2010 Censuses of Population and Housing). Within the vital statistics, data are produced and published about the number of births, deaths, marriages, and divorced marriages, according to UN recommendations.

Population estimates and projections include indicators by age and sex. Internal population migrations surveys are based on data collected by the Ministry of Interior. Within health statistics, the data on deaths and causes of deaths are within the competences of the SORS. All other data in this area are taken over from relevant sectoral ministries.

Within crime statistics, indicators are presented on minor and adult perpetrators of criminal acts, responsible and legal entities, legal entities in charge of and perpetrators of economic violations and economic disputes. A review of all research was performed in 2006 and 2007, for the purpose of adopting the new Criminal Code (2006).

Education statistics monitor all level of regular (formal) education, starting from the mandatory pre-school programs to higher education (harmonized with the international ISCED-97 classification), to the level of Ph.D. Professional training (in companies) and life-long learning (informal education) is not included in official statistics due to lack of legislation in this area.

Culture statistics provide data on art and institutions in the area of culture and public information (without financial indicators).

Social protection statistics – the central system – provides data on pupils’ and students’ dormitories, beneficiaries of children’s allowances, and social protection beneficiaries, forms, measures and services. Science and technology statistics - R&D statistics - provide the basic indicators on organizations engaging in scientific and research activity.

Labor market statistics – labour market survey – is an annual survey. The most recent reviews of methodology, providing for full harmonization with Eurostat requirements, is in compliance with Regulations EU 577/98/, 897/2000, 1991/2002, 2257/2003, 430/2005.

Salaries and labour costs – monthly and semi-annual surveys of employees, used to monitor the trends of employment and salaries, are partly harmonized with the relevant EU regulations. In 2007 two pilot surveys were performed on labour costs (annual and quarterly), in compliance with the relevant EU regulations.

Household consumption surveys are done according to international standards and Eurostat recommendations of 2003 and they provide basic indicators on household incomes, expenditures and consumption, as well as on living standards, and the results are published quarterly and annually.

3.18.1.2. Short-time priorities

- Doing the trial census in 2009;
- Active population projections 2002-2032;
- Defining the division of competences between the data generators in charge and developing the priority health indicators.
- Pilot surveys – surveying innovative activities, as recommended by Eurostat.
- It is planned to implement a survey on labour costs according to EU standards, within a four-year time schedule.

3.18.1.3. Mid-term priorities

- Implement the Census of Population, Households and Housing 2011;
- Introduce surveys of external migrations;
- Introduce victimological surveys;
- Harmonize education indicators with international standards;
- Develop a new methodology and basic indicators in the area of social protection, in cooperation with the relevant line ministry;
- Monitor the participation of institutions of culture and individuals in cross-border projects (in cooperation with the Ministry of Culture);
- Review the existing and introduce new surveys to monitor the structure of salaries, according to Eurostat regulations and requirements;
- Begin work on introducing EU-SILC surveys.
- Introduce a new survey: Time Use Survey, according to Eurostat standards.

3.18.2. Environmental statistics

3.18.2.1. The state of play

Statistical Office of the Republic of Serbia produces the data relevant for the presentation of the state of the environment in the areas of water, waste, and air pollution.

In the area of water, regular annual statistical surveys collect data on the intake of water and manner of use of ground water, springs and surface water, types of treatment and discharge of waste water according to point of origin and discharge. The data refer to volumes of water used from own water intakes (industry and agriculture - irrigation) and from public water supply networks (household, commercial, and institutional users), and also to volumes of waste water discharged (from industrial systems and sewer systems). Technical data on irrigation systems and data on damages caused by water

are collected in three-year intervals. Statistical surveys are only partly harmonized with the Water Framework Directive (Directive 2000/60/EC).

Within the SIDA project for development of statistics in the Balkans (2005 – 2008) a pilot survey has been implemented on communal waste in cooperation with the Environmental Protection Agency and in compliance with the Eurostat recommendations and the national capacities.

In the area of air pollution, data on consumption of fossil fuels are collected in several annual surveys and are processed in accordance with the Convention on Long Range Transnational Air Pollution (CLRTAP) to calculate emissions of SO₂ and NO_x and it is the Republic Hydro-Meteorological Office that is in charge of this. Under the SIDA project, work has commenced on harmonization with the CLRTAP/UNFCCC in the energy sector.

3.18.2.2. Short-term priorities

- Continue harmonization of statistical surveys with the Framework Water Directive (Directive 2000/60/EC and JQ-IWA/Eurostat/ OECD) – first stage.
- Implement a pilot survey on industrial waste (OT-IND) in accordance with the WstatR (Regulation (EC) 2150/2002) and according to the national legislation and capacities.
- Implement pilot surveys on consumption of hazardous chemicals in industry.

3.18.2.3. Short-term priorities

Harmonization of statistical surveys according to the National Sustainable Development Strategy, the National Action Plan, European Partnership (COM(2007)660), the Five-Year EU Statistical Program (Decision No.1578/2007/EC), „Sixth Environmental Action Programme“ (6th EAP 1600/2002), EU Sustainable Development Strategy (EU SDS SEC(2005)161 final) – and „Renewed Strategy“ 10917/2006) and the Lisbon Strategy (environmental protection aspects) in order to finalize data bases for calculation of national and structural indicators and sustainable development indicators:

- Harmonization of statistical surveys on intake, use and discharge of water with the Eurostat recommendations SIs, CSIs and SDIs (2009 – 2011).
- Implementation of WstatR (Regulation (EC) 2150/2002) and integration in the statistical survey of waste (2009 – 2011).
- Development of instruments for collection of data on environmental expenditures, Regulation (EC, Euratom 58/97) - (2009 – 2012).
- Harmonization with CLRTAP/UNFCCC in order to compile a better data base on air emissions (2009 – 2012).
- Finalizing the data base on use of hazardous chemicals (2009 – 2012).
- Preparation of instruments for the development of „agri-environment“ indicators – 2011.

3.18.3 Macro-economic statistics

3.18.3.1. The state of play

Annual macroeconomic data have been available since 1997. The gross domestic product is calculated by production method for the level of sectors and areas of classification of activities. A set of accounts has been developed for the national totals and for all institutional sectors. The calculation of gross domestic product by production method is available in fixed prices of 2002. Calculations are made

according to activity classification, for sectors and areas, by extrapolation, by use of indirect single indicator method, by combination of output and input indicators.

In parallel to calculations for 2004, a review was made of data published by that year in the area of national accounts, which was partly a result of several years of activities on the national CARDS project. The two key changes were made in the government sector and in the households sector. The output, gross added value and final consumption were calculated according to expenditure method instead of by previously used method of collected tax revenues, including also expenditures for national defense. Personal expenditures of households was calculated directly, and not as a residual item. The value of imputed rents was calculated by implementing the „User Cost“ method. Apart from these corrections, there were also minor corrections in all other sectors, of methodological nature.

At the beginning of 2008 the second stage of the Western Balkans regional project was finalized on non-observed economy. As a result of this project, data is available on non-observed portion of the gross domestic product for years 2003, 2004, and 2005, calculated by production and expenditures methods and harmonized with the Eurostat tabulated approach. The calculation of the non-observed portion of GDP includes also data on illegal activities (prostitution and drugs).

Results of quarterly calculations of GDP, in fixed 2002 prices, are available since the first quarter of 1999. The GDP calculations were done by the production method, for the level of areas and sectors of classification of activities, by extrapolation, implementation of indirect single indicator method, by combination of output and input indicators.

The methodological framework for the development of basic macroeconomic aggregate indicators and national accounts make up the System of National Accounts 1993 (SNA93), The European System of Accounts 1995 (ESA95), Eurostat methodologies and recommendations for calculation of quarterly national account sand fixed prices (Manual on Price and Volume Measures) and on the methodology of the International Monetary Fund for quarterly calculations, as well as other methodologies and recommendations of international organizations harmonized with the European System of Accounts 1995.

Activities aimed at implementing the EU standards in the area of retail prices were initiated within the national CARDS project. Since 2007, the system of retail prices which included the indices of retail prices and indices of living costs was enlarged by indices of consumer prices (CPI). The methodology for calculation of this index is based to a great extent on EU recommendations for calculation of harmonized consumer prices index.

The Purchasing Power Parity project started in 2003 within the regional CARDS project. All activities within it are harmonized with the EuroStat methodology, and since 2007 Eurostat publications include data for Serbia.

3.18.3.2. Short-term priorities

- Review of annual data on gross domestic product by including FISIM in the calculations, and by integrating the foreign sector in the system of accounts.
- Enlarging the list of products in line with the EU regulations relevant to calculation of harmonized price index.
- Continued work on the purchasing power parity (PPP) project.
- Calculation of gross domestic product at regional level, and work on Supply and Use tables within the national IPA project.
- Quarterly calculation of gross domestic product by expenditure method, in current prices.

3.18.3.3. Mid-term priorities

- Continued work on developing the Supply and Use tables within the national IPA project.
- Calculation of harmonized price index fully in compliance with the EU methodology.
- Continued work on the PPP project.
- Calculation of gross domestic product by expenditure method, in current prices.
- Quarterly calculation of gross domestic product by production method, in current prices.
- Quarterly calculation of gross domestic product by expenditure method, in current prices.
- Preparation of financial accounts.

3.18.4. Business statistics

3.18.4.1. The state of play

Within structural business statistics (SBS), a pilot survey was implemented in 2007, harmonized with the EU regulation 58/97. The survey covered big and medium enterprises from the non-financial sector, and the calculation of indicators for small enterprises was based on data available in administrative sources (annual financial statements). On the basis of these data, most indicators identified in the Regulation 58/97 and Annexes 1-4 were done. Since 2008 this survey is done as a regular annual survey.

Since 2002, industrial production by products (Prodcom) is done according to product classification harmonized with CPA. Preparations are underway for the adoption of the Prodcom list 2008 as a national standard to regular annual monitoring of industrial production and services.

The key short-term statistical indicators (STS), a total of 14, are calculated in line with the Regulation 1165/98, and 12 have been harmonized partially. Since 2004, in the area of industry, the calculation of production indices and manufacturers' prices indices is harmonized with the new classification of activities (NACE Rev.1), classification according to product purpose (MIG) and CPA. In 2007 a pilot project was implemented of statistical surveys which will be used for calculation of trade and new orders in industry. In the area of construction, indices of production and new orders are calculated quarterly, and as of 2007 monthly monitoring of construction permits has been introduced. In the area of trade, monthly calculations are made of retail trade indices and quarterly calculations of wholesale trade indices. In the area of services, the volumes are monitored on quarterly basis. Number of employees and salaries in all areas are monitored on monthly basis.

Statistics for the energy sector are developed with the assistance of Swedish statistics experts through the "Annual Energy Balances" project. Annual energy balances have been developed for electricity and heat for years 2004, 2005, and 2006, as well as annual coal balances for years 2005 and 2006. Annual energy balances are done according to the recommendations of the International Energy Agency, OECD and Eurostat, contained in the Energy Statistics Manual 2004. The Ministry of Mining and Energy submits annual questionnaires to the International Energy Agency and the SORS fills a part of the questionnaires, as agreed.

Transport statistics monitor primarily the trends of transport means, passengers, and cargo, but also infrastructure, equipment, mobility, safety, enterprises, investments, and employees. Annual data for all types of transport, excluding air transport, are submitted regularly to Eurostat, UN ECE, and CENT. Transport of cargo by road is monitored quarterly and annually. International cargo transport is fully harmonized with the existing UN-ECE methodologies and EU regulations (1108/70, 1172/98), while harmonization is partial in respect to national cargo transport.

Classification NST/R is used in surveys. SORS implements surveys on railway and airborne traffic on quarterly and annual basis and calculates indicators which are partially harmonized with the EU regulations (91/2003, 437/2003). Inland waterways traffic is monitored on monthly and annual basis, and the methodology is harmonized with the EU regulations 1108/70 and 1365/2006. SORS performs surveys of telecommunications and postal traffic, and the methodology is harmonized with the EU standards and recommendations.

In the area of tourism statistics the calculation of indicators is partially harmonized with the Directive 57/1995. Monthly statistical surveys on tourist trade (number of arrivals and overnight stays by domestic and foreign tourists), surveyed by covering tourism units with accommodation capacity, through data on tourism trade by types of tourism sites, by types of accommodation units, by country of origin and average length of stay. Semi-annual statistics on tourist agencies provide data on traveling by domestic and foreign tourists who use services of national tourist agencies. In 2007 two pilot projects were implemented on a sample of two surveys – the survey on the stay of foreign tourists in hotels and the survey on foreign visitors in road border-crossings.

In the area of information society statistics in 2005 a pilot project was implemented on the use of ICT technologies. Since 2006 there are regular surveys on the use of ICT technologies in households (individuals), companies and financial institutions. All indicators are calculated in accordance with the regulations 808/2004 and 1031/2006.

3.18.4.2. Short-term priorities

- Introducing new classification of activities harmonized with NACE Rev.2 in SBS and the key STS, as well as the new base year (2005) in STS;
- Calculation of SBS annual and multi-annual indicators for enterprises as defined by the regulation 58/97 in Annexes 1-4 (except for data on trade by categories of CPA classification), as well as priority indicators for business services.
- Development of the national Prodcom list and its use in annual industry surveys.
- Development of annual energy balances of oil and oil derivatives, gas and geothermal energy.
- Full harmonization with the surveys on road cargo traffic and air traffic with the relevant EU regulations.

3.18.4.3. Mid-term priorities

- SBS – introducing indicators for local units according to NUTS classification, division of trade by categories of CPA classification (for distributor trade), and indicators for units of types of activities (for industry and construction), as defined by regulation 58/97 in Annexes 1-4;
- STS – calculation of time series harmonized with NACE Rev2 and the new weights for 2005.
- STS – introducing indicators for new orders in industry and expenditures in construction.
- Developing annual energy balances for solar energy, wind and bio-fuel, and the total energy balance;
- Monthly and quarterly presentation of data on production, import and export of energy and energy sources.
- List of accommodation capacities in tourism.

3.18.5. Monetary, financial and trade statistics and balance of payments statistics

3.18.5.1. The state of play

The National Bank of Serbia is in charge of collecting, processing and analyzing monetary statistics in the Republic of Serbia. Monetary statistics cover NBS balances and balances of other deposit institutions, as well as consolidated balances of the overall banking sector. Apart from monetary statistics, the NBS also monitors certain financial indicators (bank interest rates on deposits and placements, interest rates on securities and government bonds). The NBS compiles balances and reports on the basis of data derived from balances of banks and other financial organizations, its own data bases and automated information systems.

The National Bank of Serbia compiles the balance of payments in accordance with the IMG „Balance of Payments Manual”, fifth edition, which is to a high degree harmonized with the EU requirements. The National Bank of Serbia develops the projections of balance of payments of the Republic, which represents an analytical basis for the identification of objectives and tasks of monetary policy, and monitors the execution of such projections.

The NBS monitors the total external debt of the public and the private sector in the Republic of Serbia in accordance with the recommendations contained in the IMF’s *External Debt Statistics*, although the external debt is also monitored by the Ministry of Finance from the aspect of the budget system.

Over the past period, the NBS has had the technical assistance provided by the International Monetary Fund aiming at enhancing the monetary, financial and balance of payments statistics. Education of NBS staff was implemented through different forms of training seminars in the country and abroad, organized by international institutions, the National Bank of Serbia, and central banks of other countries.

It is expected that over the forthcoming period, the IMF will continue to provide technical assistance in the area of monetary and financial statistics and statistics relevant to balance of payments and external debt. In the period 2008-2009 it is planned that assistance will be provided by the European Central Bank (ECB) in order to assess the needs of the NBS and its operations compared to standards of the European system of central banks in the area of statistics. It is expected that this assistance by ECB will be funded from the EU CARDS program.

Statistics relevant to foreign trade in goods contains detailed data classified by partner countries, by goods according to the Combined Nomenclature (CN2008) and the SMTK, revision 3, by modes of transport, by preferential rates in case of import of goods, and by enterprises and their trading characteristics, and these statistics are within the competences of the SORS.

The fundamental principles, standards and procedures used in calculating indicators in foreign trade are based on the UN recommendations, specifically on the concepts and definitions of international trade in goods published in the editions «Studies and Methods» series M, Nr. 52/1998, rev. 2. The collection, processing and analysis of data is also in accordance with the relevant recommendations of the EU Acquis, the so-called Eurostat legislation.

Foreign trade statistics are based on the following classifications and nomenclatures:

- Customs tariff nomenclature based on the Combined Nomenclature and the NS classifications, which is within the competences of the Ministry of Finance, Customs Administration.
- Standard International Trade Classification SITC, revision 3.
- Activity classification (NACE).

- Country classification, ISO – 3166 alpha = 2 code.
- Goods classification based on economic intended purpose BEC (broad economic classes).
- Goods classification based on degree of processing.
- Classification base don economic intended purpose by EU methodology (MIG).

The customs tariff nomenclature is base don the Harmonized system of customs names and codes 2007 and the Combined EU nomenclature 2008. The standard international trade classification, revision 3, was introduced back in 1988 and is not yet in use in our system of statistics.

By the review of the foreign trade project in 2004, the BEC classification was introduced according to economic intended purpose, as well as the MIG economic classification according to the EU methodology.

Classification of activities is based on the EU classification (NACE, Rev.1), while the classification of countries is formally based on the ISO alpha-2, although the EU nomenclature of countries and territories is also used (Regulation 1833/2006).

The Statistical Office of the Republic of Serbia also performs complex statistical calculations of import-export indices of unit values, physical volumes and exchange rations. This complex statistical calculation is fully harmonized with the internationally used principles and standards, therefore also with the one prevailing in the EU. Data is published monthly and quarterly.

The CARDS 2003 regional project included a sub-project for foreign trade statistics and this sub-project was planned within the IPA 2007 project which will enable training and technical assistance for the implementation of changes planned to be introduced in the forthcoming period.

3.18.5.2. Short-term priorities

- Establishing institutional division of competences among the generators of official statistics in the area of financial statistics in terms of collection, processing and dissemination of statistics, which will contribute to improving cooperation and coordination among official statistics generators, in line with the short-term priority identified in the European Partnership document.
- Annual harmonization with the changes in the Combined nomenclature.
- Introducing the fourth revision of SMTK.
- Introducing a new indicator of trade by characteristics of companies in accordance with changes in Regulation 1172/95.
- Introducing a new indicator FOB/FOB trade balance in order to harmonize goods trade statistics with balance of payments statistics and national accounts statistics. Institutions in charge are the Statistical Office of the Republic of Serbia and the National Bank of Serbia.

3.18.5.3. Mid-term priorities

- In the mid-term 2008-2012 for the purpose of developing a comprehensive set of national accounts in cooperation between the Statistical Office of the Republic of Serbia and the National Bank of Serbia, specific items in the balance of payments are to be identified at such a level of detail which is needed for the development of national accounts.
- NBS, SORS and other institutions in charge are to develop a system to monitor foreign direct investments, and statistical monitoring of current and capital inflow of foreign currency investments, closing in 2012, which will enhance the development of sectoral statistics as a mid-term priority identified in the European Partnership document.
- Introducing new revisions of the foreign trade nomenclature NCCT Revision 4.

- Introduce indicators by trade characteristics of enterprises and the CPA classification (Regulation 3696/93).
- Developing adequate infrastructure for the introduction of the general system of trade in line with the UN recommendations to replace the special trade system which is currently being used.

3.18.6. Agriculture statistics

3.18.6.1. The state of play

The Statistical Office of the Republic of Serbia collects statistical data on the land area, by types of use, areas used and types of crops and areas for other cropped land, fallow land, and unworked plough field areas, by means of regular statistical surveys.

Statistical data is collected by remote (satellite) surveying. Data on agriculture structure is mostly available from the 2002 Census of population, households and housing.

Preparations are underway for the census of agriculture which will provide data on agricultural land by method of use, orchards and vineyards, types of farming estates, and farming machinery and labour in farming estates.

In line with Eurostat recommendations, within the SIDA project, work has started in 2006 on the development of economic accounts in agriculture as well as harmonization of methodologies for the calculation of price indices for agricultural inputs and outputs.

Regular annual surveys of plant growing results in collection of data on cropped area in the spring and autumn season, harvested areas and yield of vegetables, fruit and grapes.

Data for profit institutional units are collected through annual reports from book-keeping and other records in comprehensive coverage, while data for privately-owned farming estates are estimates based on data from the comprehensive register.

Grape production data is collected 3 times a year, and fruit production data 5 times a year (projections and final data) by municipalities and by type of fruit.

The Ministry of Agriculture, Water Management and Forestry develops wine and food balances. Livestock data – by types and number of livestock, and data on livestock production, are collected through annual surveys on the number of livestock for privately-owned estates and through regular annual surveys on livestock breeding for enterprises and cooperatives. Based on results of these surveys and data on slaughtering in slaughter-houses, livestock yield is calculated as live weight and meat production annually. Due to harmonization with the EU standards and recommendations, since 2006 the survey on livestock number is done with the state as of 1 December (instead of as of 15 January) with the relevant changes in classification of livestock. Since 2007, in cooperation with the Ministry of Agriculture, Water Management and Forestry, its Veterinary Directorate, a trial survey is done regarding the monthly slaughtering of livestock and poultry in slaughter houses. Work is underway to improve the quality of data resulting from this.

The Statistical Office of the Republic of Serbia implements a survey on areas under forests, once in three years, accompanied with annual surveys on planting, growing and exploitation of forests, forest damages and surveys on roads, transportation and mechanization. Surveys on the production and sale of forest assortments are done on monthly basis, while hunting surveys are done once in two years.

3.18.6.2. Short-term priorities

- Trial agriculture accounts.
- Harmonization of methodology for calculation of price indices for agricultural products with the EU standards.
- Introducing monthly surveys on livestock slaughtering as a part of regular statistical surveys.

3.18.6.3. Mid-term priorities

- Census of agriculture.
- Harmonization of milk statistics by introducing monthly surveys on quantity and quality (fat and protein content) of cow milk and processed dairy products.
- Harmonization of a part of the poultry statistics relevant to the structure (incubator capacity), by type of poultry and number of hatching eggs, and purpose of poultry, annually.
- Harmonization of annual forest statistical surveys.

3.18.7. Registers

3.18.7.1. The state of play

The Statistical Business Registry (SBR) relies on the statistical part of the *Acquis Communautaire* which regulates the statistical surveys within the European Statistical System (Regulation - 696/93, Regulation on coordinated introduction of business registries for statistical purposes - 2186/93, Regulation on Community Statistics – 322/97, etc.), and a series of international recommendations, standards and documents (Eurostat Business Register - Recommendations Manual), international best practices) as well as international technical cooperation (at the beginning with ISTAT within the CARDS program) and since 2004 with the Statistics of Sweden within the “Partnership in Statistics” project.

The SBR registry is updated by regular uptake of data from a set of administrative sources: the Business Registry Agency (and the Statistical Office of the Republic of Serbia, Tax Administration, The National Bank of Serbia – Center for Credit Standing, Ministry of Finance – the Customs Administration, the Treasury, etc. It is planned to include other administrative sources as well in order to enhance the quality of the SBR data base. Good and mutually beneficial cooperation has been established through the signing of separate Memorandums of Cooperation (protocols) with the individual administrative sources of data.

A system has been developed for the updating of SBR units through regional offices of the SORS which participate in different surveys and collect data from reporting units, and a special software solution has been developed and introduced in order to update the data on local level.

So far tables of legal units, enterprises and partly of local units have been developed. The ratio between the legal unit and the statistical enterprise unit is 1:1, meaning that the SBR still does not include the so-called complex enterprises.

Until the end of 2007 the SBR was maintained predominantly (except for a minor part of activities related to updating through the regional SORS units) on the basis of administrative sources of data.

The relation with other surveys is developing in order to use feedback information to improve the quality of the SBR. So the surveys of SBS include in the questionnaires questions relevant to the SBR.

3.18.7.2. Short-term priorities

- Introduce agricultural estates.
- Establish opening balances of local units based on data available from administrative sources and by engaging regional departments.
- Introduce separate annual surveys exclusively for the needs of maintaining the SBR.
- Incorporate additional administrative sources in order to improve the quality of units and features of SBR – from the Tax Administration system, from Pension and Disability Fund, etc.
- Translating the SBR units to KD based on the new SKD 2008 (derived from NACE Rev. 2).
- Introduce in the SBR classifications of institutional sectors (according to the system of national accounts).

3.18.7.3. Mid-term priorities

- Increase the overall quality of the SBR data base and ensure an updated framework for annual and short-term surveys by the beginning of December each year.
- Introduce a new statistical unit – group of enterprises.
- Provide conditions for application of coordinated samples.

3.18.8. Classifications

3.18.8.1. The state of play

The statistical and information systems in Serbia use the classification of activities KD, i.e. the national version derive from the NACE Rev. 1 developed at 5-points level.

At the beginning of 2007 the project ‘Operation 2007 – Serbia’ was launched which means the revision of the KD and introduction of the SKD harmonized with the NACE Rev. 2 . Tables of correspondence between the KD and the NACE Rev. 2 have been developed, and between NACE Rev. 2 and the KD; after consultation with the major users (internal and external) a decision was made that the new classification of activities (SKD 2008) is not developed at 5-points level; terminology has been harmonized based on recommendations of the Neuschatel group; and the Explanatory Notes to NACE Rev. 2 have been translated.

Work began in 2007 on introducing SRA 2008. The translation of the classification is currently being finalized.

Since 2002, industrial production by products (**Prodcom**) is surveyed based on the product classification harmonized with the SRA. It was introduced in 2004 and used for all annual surveys used to collect data for 2003, and for quarterly surveys for 2004. Preparations are underway for the adoption of the Prodcom List 2008 as the national standard for surveying of industrial production and services on annual basis.

The Classification of Types of Construction was developed on the basis of the relevant EU classification (*Classification of Types of Construction – CC*, final version, Eurostat, 1997), the structure and the content of that classification was incorporated at all levels, but some lowest levels (classes) were

additionally segregated for the needs of national statistical surveys and easier harmonization with the previous Nomenclature of Construction Facilities and Works.

Classification of individual consumption by purpose (COICOP) is used for the presentation of personal consumption data since 2003.

The national accounts use the Classification of institutional sectors. All classifications used in national accounts are harmonized with ECA 95.

Since 2002 the national statistics codes the data on professions collected locally directly implementing the coding system from the ISCO-88.

A proposal has been developed for territorial units for statistics of Serbia according to the Nomenclature of statistical territorial units NUTS.

3.18.8.2. Short-term priorities

- Introduce SKD 2008.
- Introduce SRA 2008.
- Introduce Prodcom list 2008.
- Introduce the national system of classification of professions based on ISCO-08.

3.18.8.3. Mid-term priorities

- Introduce new classifications and review the existing ones.
- Continually monitor the development of concepts and methodologies in the area of economic classifications.
- Establish a classification server – classification data base.

3.18.9. Dissemination

3.18.9.1. The state of play

The second version of the website is currently used (since 25 February 2005). The number of beneficiary increases continually and the expected number of visitors in 2008 is expected to exceed 2 million.

Publications are published in printed and electronic form and are regularly posted on the website in PDF format.

The dissemination of data is based on the beneficiary approach. The media are the target group which whom food communication has been established in order to provide information to the general public and to strengthen the trust in official statistics.

3.18.9.2. Short-term priorities

- Further development of the website in terms of adding new content, with emphasis on dissemination of data base and meta-data, and introducing new functions and search options.
- Archive (preferably a data base) of publications in PDF and Excel format to be accessible also through the website.

- Developing manuals with publishing and graphical standards for pre-print (in paper and electronic form) for publishing of data at the website.
- Improve the functioning of the SORS dissemination network by connecting the technical library of the Statistical Office with the libraries in other regional units.

3.18.9.3. Mid-term priorities

- Website improvement: faster and easier website updating and introduction of new content by using CMS (Content Management System).
- New options depending on the future development of the web technology. Better website design and better options for territorial graphical presentation (GIS).
- Develop Internet presentation as the pre-condition for better and more efficient internal communication.
- Automation of all links for print and website, having in mind the use of both platforms – PC and the host.
- Developing data publication calendar (related to the adoption of the new Law on Statistics).
- Establish a register of users, especially journalists, since the media, along with the website, are a very good dissemination channel.

3.18.10. Information-communication technology

3.18.10.1. The state of play

The ICT sector makes a significant contribution to the overall development of statistics, its harmonization with the international standards and EU integrations.

Data processing is performed on two computer platforms (IBM Mainframe and the PC platform). Within the international assistance project IPA 2007 a feasibility study is to be finalized on the possible replacement of the platform, which will decide the strategy of the future development of the ICT. This project includes also continued work on further development of communications and dissemination.

In 2007, the IT infrastructure has been significantly enhanced through a donation of the European Agency for Reconstruction.

There are currently no fully defined and adopted standards for software development on PCs and this is a difficulty in maintaining the application. Especially in the context of great staff fluctuations, but also in the context of use and exchange of data between different surveys. Further development is needed in terms of generation of program solutions and project documentation, quick, uniform and efficient access for users by developed program solutions and good data base administration. The ICT sector is currently developing standard and programs that would coordinate and manage electronic data processing of data filed in the PC platform (SQL Server) and on the IBM Mainframe (DB2). In view of the fast development of ICT, continued development of staff capacities is needed. It should be noted that thanks mostly to donation interventions much has been achieved in this area, and staff training needs to continue.

3.18.10.2. Short-term priorities

- Continued development of the IT infrastructure
- Continued technical education of staff
- Developing generators of software solutions for statistical surveys (forms, control criteria, administration software, etc.)
- Define standard procedures for uptake of data from certain administrative sources.
- Continued work on establishing data bases and developing applications for use of data.
- Consider and define the development in several directions, such as: electronic questionnaires and internet technology, cost-effectiveness of introducing OCR equipment for data entry from questionnaires, decentralized data entry (by regional units)

3.18.10.3. Mid-term priorities

- Establish standards for data exchange in line with recommended standards of the International initiative for development and application of more efficient ways for exchange of statistical data and meta-data (SDMX initiative).
- develop a dialogue-manager, i.e. a set of program procedures for a uniform access to data in order to update, enter and tabulate data
- Establish uniform well organized system of meta-data needed in the process of data exchange and dissemination
- Harmonization with recommendations and standards used in EU countries in terms of data safety and protection.

SORS estimate of needed administrative capacities for implementation of the EU *Acquis Communautaire* in the field of statistics

Name of institution	State if the institution exists or is planned	Current number of staff (31 Dec 2007)	<i>Planned (total) number of staff (by years)</i>				
			2008	2009	2010	2011	2012
Statistical Office of the Republic of Serbia	Existing	514	539	608	632	653	664
NBS – Sector for economic analyses and research – NPI	Existing	11	11	12	13	13	13
Total		525	550	620	645	666	677

3.19. SOCIAL POLICY AND EMPLOYMENT

3.19.1. Labour legislation

3.19.1.1. Current Situation

3.19.1.1.1. Legislative Framework

Labour relations are regulated by the Labour Law, which is a general law on labour relations, but also by laws being applied to certain labour related areas.

Labour Law (“Official Gazette of the Republic of Serbia” No. 24/05 and 61/05) has been in effect since 23rd March 2005 and represents a general law applied to all employees and employers unless stipulated differently by special by-laws. If there are no by-laws, Labour Law is implemented directly and to the full extent, however if there are by-laws in place, Labour Law is applied partially and on subsidiary principles.

Labour Law represents a continuation of labour legislation reforms implemented through creating working conditions in accordance with the EU standards. Hence this law prescribes the following: prohibition of discrimination, harassment and sexual harassment on the basis of sex, race, ethnicity, religious beliefs and other personal features; securing equal income level for the same work or work of the same value for all employees; protection of employees’ rights in case of changing the employer (transfer of all work contracts and extended validity of previously concluded collective contract); securing payment of wages and other incomes in a certain amount and for a certain period to employees who were not able to exercise these rights in accordance with the law regulating insolvency; exercising employees’ rights in case of collective cutbacks, etc.

Labour Law was the basis for adoption and implementation of the following by-laws: Directive on the remuneration height and cost reimbursement for conciliators and arbitrators for peaceful resolution of labour disputes, Regulations on registration of collective contracts, Regulations on procedures in peaceful resolution of labour disputes, Regulations on entering employers associations into the register, Regulations on entering local councils into the register and Regulations of a content of the form of request for exercising rights with the Solidarity Fund. Nevertheless, the following by-laws stay in effect until new by-laws are adopted in accordance with the Labour Law: Regulations on methods and procedures for registering work contract for performing activities outside employers’ facilities and home auxiliary staff activities, Regulations on conditions, procedures and methods for exercising the right of absence from work due to special child care, Regulations on procedures for issuing and content of certificate on worker’s temporary inability to work with regard to health insurance regulations, Regulations on personal work records and Regulations on registration of collective contracts.

Labour Law is partially harmonised with the *acquis communautaire*. The law is to the largest extent harmonised with the following EU Directives:

- Council Directive 76/207/EEC on the implementation of the principle of equal treatment for men and women as regards access to employment, vocational training and promotion, and working conditions, with 2002 amendments,
- European Parliament and Council Directive 2003/88/EC on working time,
- Council Directive 2001/23/EC relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses,

- Council Directive 98/59/EEC relating to collective redundancies,
- Council Directive 80/987/EEC relating to the protection of employees in the event of the insolvency of their employer with the amending Directive 2002/74/EC of the European Parliament and of the Council.

Separate regulations regarding to labour are incorporated in a number of laws which are to a greater or lesser extent regulating labour relations in certain areas of work or working environment.

One of the significant laws is the Law on Public Officials (“Official Gazette of the Republic of Serbia” No. 79/05 and 83/05), applied on labour relations in state bodies. There are special regulations on labour relations for certain bodies, such as Law on Police, Law on Courts and Law on Public Prosecution Office. They also contain provisions on labour relations to a greater or lesser extent.

Law on Labour Relations in State Bodies of 1991 (which undergone many amendments since) is still in effect for labour relations in local self-government bodies. After adoption of the Law on Public Servants, the abovementioned law is no longer applied to labour relations in state bodies, but its provisions continued to be applied on labour relations in local self-government bodies and will continue to be applied until adoption of a separate law regulating labour relations in local self-government bodies. Employees in local self-government bodies and elected, i.e. appointed persons are covered with general regulations on labour relations in regard to those rights, obligations and responsibilities which are not separately regulated by the Law on Labour Relations in State Bodies (subsidiary implementation of general regulations on labour relations).

Certain issues in regard to labour have been defined in the Law on Safety and Health at Work, Law on Social Protection, Law on Social Insurance, Law on University Education, General Law on Education and Upbringing and Law on Social Protection and Social Security of Citizens.

EU regulations pertaining to the area of social policy, which have a direct impact on the section of transport policy relating to the safety of road transport and transport procedures are the following: Directive 2002/15/EC of the European Parliament and of the Council of 11 March 2002 on the organisation of the working time of persons performing mobile road transport activities; Directive 2006/22/EC of 15 March 2006 on minimum conditions for the implementation of Council Regulations (EEC) No 3820/85 and (EEC) No 3821/85 concerning social legislation relating to road transport activities and repealing Council Directive 88/599/EEC; Commission Decision 2007/230/EC of 12 April 2007 on a form concerning social legislation relating to road transport activities. Abovementioned regulations rest on the European Agreement concerning the Work of Crews of Vehicles Engaged in International Road Transport (AETR) with the Protocol (“Official Gazette of the SFRY” No. 30/74). AETR is implemented in international transport only, while the introduction of EU regulations would also be applied on so called domestic road transport. Having in mind that Serbia ratified the AETR and also the obligation to introduce the system of digital tachographs (a device which records work history of a driver, i.e. a transport company) by June 2010, the state is currently considering two methods for transposition of EU regulations into domestic legislation. The first method would include regulations in the area of traffic safety, while the other method envisages drafting of a separate law regulating competencies of AETR implementation bodies and implementing EU regulations at the same time.

With regard to the labour statistics, Republic Statistics Office has been conducting the Labour Force Survey (LFS) at the annual level. Latest review of the methodology, facilitating complete harmonisation with the Eurostat requirements, is in accordance with Directives No. 577/98, 897/2000, 1991/2002, 2257/2003 and 430/2005.

Republic Statistics Office conducts monthly and biannual surveys on the employees, which are used for monitoring movements in the number of employees and their incomes. These surveys are to a certain extent harmonised with EU regulations. Two pilot surveys on work costs were conducted in 2007 (annually and quarterly) in accordance with EU regulations.

3.19.1.1.2. Institutional Framework

Labour relations are in the jurisdiction of the Ministry of Labour and Social Policy. The Ministry carries out public administration activities which *inter alia* relate to the labour relations system and rights in all segments of work with the exception of state bodies, cooperation with international organisations on labour issues, reporting on implementation of international conventions in the area of labour, etc.

Labour Inspectorate is functioning within the Ministry and its task is to perform inspection activities and related professional tasks in two areas: labour relations and safety and health at work. The above mentioned activities pertain to: a) regular and control supervision, b) investigation of severe, fatal and collective injuries at work and c) reduction of the scope of undeclared work.

Labour Inspectorate employs 330 people, out of whom one appointed person, Director, who manages the Labour Inspectorate, 320 public servants (with university degree) employed full time, 1 temporarily employed public servant and 8 employees of the 4th level with secondary education degree. Qualification and gender structure of the Inspectorate personnel shows that there are 49.2% of women and 50.8% of men in the total number of employees. As regards the age structure, average age of the Inspectorate personnel is 48.5 years of age.

Priority task of the Labour Inspectorate is development of a modern labour inspection system according to the EU standards aimed at establishment of an efficient and effective framework for its organisation and functioning. In this regard, Labour Inspectorate's primary objective is to introduce integrated work methods for inspectors, which implies a "one-stop shop" concept (one inspector – one employer – one supervision). Initial feasibility studies on introduction of integrated approach to work for labour inspectors have been conducted in the course of the project "Developing a Serbian Labour Inspectorate for the 21st Century", implemented in the labour inspection in 2003-2005 (project implementation agency was the ILO).

With the aim to achieve equal acting of labour inspectors in accordance with EU standards, Labour Inspectorate personnel has during 2007 participated in the following training: "Labour Inspection System Reform, Lessons Learned and Methods for Improvement of the Decent Work Concept at the international, national and company level" (Dusseldorf, Germany), in the organisation of the ILO; "Directive 92/57/EEC on the implementation of minimum safety and health requirements at temporary or mobile construction sites" (Belgrade), TAIEX seminar; "Combating Undeclared Work" (Brussels, Belgium), international seminar organised by the Directorate-General for Employment, Social Affairs and Equal Opportunities of the European Commission.

Strategic goals of the Labour Inspectorate have been defined in accordance with the EU Integration Strategy and Poverty Reduction Strategy in Serbia: reducing the number of injuries at work, occupational illnesses and work-related sickness; reducing the scope of unregistered labour and reducing the number of labour legislation violations; promoting development of national culture of prevention in the area of safety and health at work and in the area of labour relations with a particular emphasis on the SME sector and high risk sectors (construction business, chemical industry, agriculture, etc.); setting priorities in resolving problematic issues related to safety and health at work and labour relations for particularly vulnerable groups of workers – issues related to female labour force, child labour, cottage industry labour, family labour, foreign labour force, etc.

Labour Law provided for establishment of the Solidarity Fund, which has a legal entity status and functions as a public service for payment of outstanding claims to workers employed in insolvent companies. Bodies within the Fund include: executive board, steering committee and a director. Fund's executive board and steering committee members and their deputies are being appointed by the Government among representatives of the Government, representative trade unions and representative associations of employers on the territory of the Republic of Serbia. Fund's administrative and professional activities are performed by the Fund personnel.

The Fund represents an instrument for payment of certain claims to the employed, under conditions prescribed by the law, namely: salaries and benefits during absence from work due to temporary inability to work, damages for unused vacation due to employers fault, severance pay due to retirement, damages based on the court decision due to occupational injuries and illnesses and contributions for mandatory social insurance for payment of salaries and bonuses.

3.19.1.2. Short-Term Priorities (2008-2009.)

3.19.1.2.1. Legislation

As regards to implementation of fiscal policy aimed at sustaining stability, including the public sector income policy (European Partnership priority), the Ministry of Labour and Social Policy is currently drafting new regulations aimed at reforming the system of public servants' incomes.

With the adoption of the Law on Salaries of Public Servants and Officials (January 2007), the Law on Salaries in State Bodies and Public Services ("Official Gazette of the Republic of Serbia" No. 34/01) was no longer valid as regards the public servants. This law is still applied on those employed in public services and it regulates the area of salaries and bonuses for the employed in public services (health, education, culture, social protection, mandatory social insurance funds). Elements for setting the height of salaries of the employed in public services (base salary and factors) are determined by the Governments acts. In practice, before determining base salaries and factors, there is an agreement with trade unions on the annual salary growth and conclusion of the protocol.

Reform of the system of salaries of public service employees should facilitate: salary system functioning on the basis of sorting jobs into groups with regard to basic differences in accountability levels, levels of knowledge and skills required for performing certain jobs and decision making level; functioning of the salary system which stimulates work performance and professional development of employees through adequate promotion through salary grades within a salary group; defining work performance as one of the important elements of the salary, etc.

Enhancement of the legislative framework for labour inspection aimed at introducing new standards and methods of work, i.e. enhancement of the institutional framework of protection of employees' rights in the area of labour relations and safety and health at work will be achieved through adoption of the Law on Labour Inspection. This law will represent a constitutive act facilitating accomplishment and legal regulation of the new organisation of the reformed and integrated labour inspection. In the course of the general reform of public administration, basic principles of which are professionalisation, modernisation and depolitisation, legal regulation of integrated labour inspection will be completed through adoption of the law pertaining to its organisation which will be in accordance with the Law on Public Administration and the Law on Public Servants.

Republic Statistics Office is planning to conduct surveys on labour costs. Surveys will be carried out according to the EU standards and over the four-year period.

3.19.1.2.2. Institutions

Labour Inspectorate capacity building will be achieved through engagement of new employees, further specialisation of staff and procurement of equipment with the aim to achieve enhancement of control over law implementation, creating safe and healthy work conditions at work and in working environment and transformation of undeclared work and employment into formal (an important step towards meeting EU objectives on employment set forth in the Lisbon Strategy).

ILO conventions, EU regulations (such as the Council Directive 89/391/EEC of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers at

work), as well as ILO and EU standards and practice represent a basis for reform, reorganisation and integration of the labour inspection.

3.19.1.3. Medium-Term Priorities (2010-2011)

3.19.1.3.1. Legislation

With the aim to implement legislation on prevention of all forms of discrimination (European Partnership priority), more efficient and consistent implementation of the Labour Law will be facilitated in the forthcoming period, particularly in regard to its provisions on prohibition of discrimination, harassment and sexual harassment (through activities of labour Inspectorate and courts). Amendment to this Law will amend the existing provisions in the segment pertaining to the burden of proof in cases of discrimination and protection of men and women's dignity at work will also be secured (protection from mobbing at work). In order to get acquainted with EU legislation in this area, representatives of the Ministry of Labour and Social Policy participated in the study visit to Republic of France which took place in September 2007 with the support of the European Commission (TAIEX Unit).

The Ministry of Labour and Social policy will harmonise labour legislation with all relevant EU regulations by the end of 2011.

Commission Decision 95/319/EC of 12 July 1995 setting up a Committee of Senior Labour Inspectors establishes the aforementioned committee and all member states are obliged to assign two representatives respectively. The Republic of Serbia is not under the obligation to transpose the abovementioned regulation – its relevant institutions (Labour Inspectorate) will commence cooperation with the Committee following EU accession.

Republic Statistics Office drafted a plan outlining the following priorities: designing new methodology and basic indicators in the social protection area, in cooperation with the Ministry of Labour and Social Policy; revision of existing and introduction of new surveys for monitoring income structure, according to Eurostat directives and requirements; commencement of activities on introduction of the EU-SILC survey.

3.19.1.3.2. Institutions

Capacity building according to the following time-scale:

Institution Name	Existing or Planned	Current number of employees		Planned Number of Employees per year				
				2008	2009	2010	2011	2012
Ministry of Labour and Social Policy – Labour Sector	Existing	Total	7	7	8	9	10	10

Ministry of Labour and Social Policy – Labour Inspectorate	Existing	Total	330	330	396	446	466	466
Total:			337	337	404	455	476	476

3.19.2. Safety and health at work

3.19.2.1. Current Situation

3.19.2.1.1. Legal Framework

Primary act regulating this area is the Law on Safety and Health at Work (“Official Gazette of the Republic of Serbia” No. 101/05) which encloses fundamental provisions and principles of the Council Directive 89/391/EEC of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work. The law regulated rights, obligations and responsibilities of employers and employees regarding implementation of measures which facilitate safety and health at work. It was the basis for adoption of 9 by-laws, the most significant being the Regulations on Methods and Procedures for Risk Assessment at Work and in Working Environment.

3.19.2.1.2. Institutional Framework

Ministry of Labour and Social Policy, the line ministry in the area of safety and health at work, has established the Directorate for Safety and Health at Work (hereinafter: the Directorate) and the Labour Inspectorate (hereinafter: the Inspectorate) as its administrative bodies. Legal affairs and supervision activities within the Ministry are divided in such a way that the Directorate prepares regulations on safety and health at work within its basic scope of activities, while the Inspectorate performs supervision over implementation of the Law and by-laws, i.e. measures for safety and health at work.

With the aim of building capacities of actors in the system of safety and health at work, the Directorate has in 2006 and 2007 carried out education in implementation of the Law on Safety and Health at Work and by-laws facilitating the functioning of the system (Regulations on Methods and Procedures for Risk Assessment at Work and in Working Environment in particular) for around 6 thousand employees, employers and labour inspectors. Education has been carried out in cooperation with social partners and following the requests from the management, it was implemented in large business systems as well. Furthermore, with the support of the EU TAIEX Unit, the Directorate organised a seminar on: “Council Directive 92/57/EEC on the implementation of minimum safety and health requirements at temporary or mobile construction sites”, held in Belgrade in October 2007.

3.19.2.2. Short-Term Priorities (2008-2009)

3.19.2.2.1. Legislation

With the aim of transposition of EU regulations into national legislation and in accordance with the SAA between EU and the Republic of Serbia, Articles 72 and 79, adoption of the following regulations is planned by the end of 2008:

- Directive on safety and health requirements at temporary or mobile construction sites (Council Directive 92/57/EEC of 24 June 1992 on the implementation of minimum safety and health requirements at temporary or mobile construction sites)
- Regulations on preventive measures for workplace safety and health (Council Directive 89/654/EEC of 30 November 1989 concerning the minimum safety and health requirements for the workplace)
- Regulations on preventive measures for workplace safety and health during the use of work equipment by workers at work, (Council Directive 89/655/EEC of 30 November 1989 concerning the minimum safety and health requirements for the use of work equipment by workers at work; Council Directive 89/655/EEC amended by Directive 95/63/EU of 5 December 1995 concerning the minimum safety and health requirements for the use of work equipment by workers at work; Directive 2001/45/EC of the European Parliament and of the Council of 27 June 2001 amending Council Directive 89/655/EEC concerning the minimum safety and health requirements for the use of work equipment by workers at work)
- Regulations on preventive measures for workplace safety and health during the use of personal protective equipment and instruments at the workplace (Council Directive 89/656/EEC of 30 November 1989 on the minimum health and safety requirements for the use by workers of personal protective equipment at the workplace).

The following regulations will be adopted by the end of 2009:

- Regulations on preventive measures for workplace safety and health during manual handling of loads, (Council Directive 90/269/EEC of 29 May 1990 on the minimum health and safety requirements for the manual handling of loads where there is a risk particularly of back injury to workers)
- Regulations on preventive measures for working safety and health during work with display screen equipment (Council Directive 90/270/EEC of 29 May 1990 on the minimum safety and health requirements for work with display screen equipment)
- Regulations on preventive measures for working safety and health during exposure to asbestos (Council Directive 83/477/EEC of 19 September 1983 on the protection of workers from the risks related to exposure to asbestos at work; Council Directive 91/382/EEC of 25 June 1991 amending Directive 83/477/EEC on the protection of workers from the risks related to exposure to asbestos at work; Directive 2003/18/EC of the European Parliament and of the Council of 27 March 2003 amending Council Directive 83/477/EEC on the protection of workers from the risks related to exposure to asbestos at work)
- Regulations on preventive measures for working safety and health during exposure to risks arising from physical agents – ionizing radiation in controlled areas (Council Directive 90/641 Euratom of 4 December 1990 on the operational protection of outside workers exposed to the risk of ionizing radiation during their activities in controlled areas)
- Regulations on preventive measures for working safety and health during exposure to chemical agents (Council Directive 98/24/EC of 7 April 1998 on the protection of the health and safety of workers from the risks related to chemical agents at work; Commission Directive 91/322/EEC of 29 May 1991 on establishing indicative limit values by implementing Council Directive 80/1107/EEC on the protection of workers from the risks related to exposure to chemical, physical and biological agents at work; Commission Directive 2000/39/EC of 8 June 2000 establishing a first list of indicative occupational exposure limit values in implementation of Council Directive 98/24/EC on the protection of the health and safety of workers from the risks related to chemical agents at work; Commission Directive 2006/15/EC of 7 February 2006

establishing a second list of indicative occupational exposure limit values in implementation of Council Directive 98/24/EC and amending Directives 91/322/EEC and 2000/39/EC).

3.19.2.2.2. Institutions

In the course of legislation harmonisation, i.e. implementation of the National Programme for Integration of Serbia into EU in the area of safety and health at work, the Directorate for Safety and Health at Work' capacities for preparing regulations need to be strengthened through engagement of new employees, further specialisation of staff and procurement of required equipment. Having in mind the current number and structure of the Directorate personnel (8 public servants, out of whom 7 engineers and 1 lawyer) and the legislation harmonisation plan, 3 more lawyers need to be hired in 2009.

Within the scope of cooperation with the European Agency for Safety and Health at Work, the Directorate for Safety and Health at Work has been appointed as the Agency Commissioner for the Republic of Serbia. The cooperation consists of constant exchange of information and knowledge and organisation of promotional conferences and events aimed at improving the situation in this area.

3.19.2.3. Medium-Term Priorities (2010-2011)

3.19.2.3.1. Legislation

With the aim of transposition of EU regulations into national legislation, adoption of the following regulations is planned by the end of 2010:

- Regulations on safety and health signs at work (Council Directive 92/58/EEC of 24 June 1992 on the minimum requirements for the provision of safety and/or health signs at work)
- Regulations on preventive measures for working safety and health during work on board fishing vessels (Council Directive 93/103/EC of 23 November 1993 concerning the minimum safety and health requirements for work on board fishing vessels)
- Regulations on preventive measures for working safety and health during exposure to potential risk from explosive atmospheres (Directive 1999/92/EC of the European Parliament and of the Council of 16 December 1999 on minimum requirements for improving the safety and health protection of workers potentially at risk from explosive atmospheres)
- Regulations on preventive measures for working safety and health during exposure to biological agents (Directive 2000/54/EC of the European Parliament and of the Council of 18 September 2000 on the protection of workers from risks related to exposure to biological agents at work)
- Regulations on preventive measures for working safety and health during extracting minerals through drilling (Council Directive 92/91/EEC of 3 November 1992 concerning the minimum requirements for improving the safety and health protection of workers in the mineral-extracting industries through drilling)
- Regulations on preventive measures for working safety and health in surface and underground mineral-extracting industries (Council Directive 92/104/EEC of 3 December 1992 on the minimum requirements for improving the safety and health protection of workers in surface and underground mineral-extracting industries)
- Regulations on preventive measures for safety and health at work of workers with a fixed-duration employment relationship or a temporary employment relationship (Council Directive 91/383/EEC of 25 June 1991 supplementing the measures to encourage improvements in the safety and health at work of workers with a fixed- duration employment relationship or a temporary employment relationship).

The following regulations will be adopted by the end of 2011:

- Regulations on preventive measures for working safety and health during exposure to physical risks – noise (Directive 2003/10/EC of the European Parliament and of the Council of 6 February 2003 on the minimum health and safety requirements regarding the exposure of workers to the risks arising from physical agents (noise))
- Regulations on preventive measures for working safety and health during exposure to physical risks – vibration (Directive 2002/44/EC of the European Parliament and of the Council of 25 June 2002 on the minimum health and safety requirements regarding the exposure of workers to the risks arising from physical agents (vibration))
- Regulations on preventive measures for working safety and health during exposure to physical risks - electromagnetic fields (Directive 2004/40/EC of the European Parliament and of the Council of 29 April 2004 on the minimum health and safety requirements regarding the exposure of workers to the risks arising from physical agents (electromagnetic fields))
- Regulations on preventive measures for working safety and health during exposure to physical risks – artificial optical radiation (Directive 2006/25/EC of the European Parliament and of the Council of 5 April 2006 on the minimum health and safety requirements regarding the exposure of workers to risks arising from physical agents (artificial optical radiation))
- Regulations on preventive measures for working safety and health during exposure to carcinogens or mutagens (Directive 2004/37/EC of the European Parliament and the Council of 29 April 2004 on the protection of workers from the risks related to exposure to carcinogens or mutagens at work).

3.19.2.3.2. Institutions

Directorate Capacity Building according to the following time-scale:

Institution Name	Existing or Planned	Current number of employees		Planned Number of Employees per year				
				2008	2009	2010	2011	2012
Ministry of Labour and Social Policy – Directorate for Safety and Health at Work	Existing	Total	8	11	11	11	11	11
		Employees working on legal harmonisation	2	5	5	5	5	5

3.19.3. Social Dialogue

3.19.3.1. Current Situation

3.19.3.1.1. Legal Framework

The Law on Social-Economic Council was put into effect in December 2004 facilitating the establishment of the Social-Economic Council of the Republic of Serbia and envisaging establishment of social-economic councils at the autonomous province level or the local self-government level, resting on volunteerism principles.

Methods of peaceful resolution of labour disputes also have an important role in development of the social dialogue. Law on Peaceful Resolution of Labour Disputes facilitated establishment of the Republic Agency for Peaceful Resolution of Labour Disputes.

3.19.3.1.2. Institutional Framework

Social-Economic Council of the Republic of Serbia has 18 members. The GoS, relevant trade unions and employers' associations established for the Republic of Serbia territory have 6 representatives respectively.

Consensus of all Council members is required for adopting opinions on important issues pertaining to social-economic position of employees (development of collective negotiations, impact of the economic policy and its implementation measures on social development and stability, employment policy, wages and prices policy, privatisation, protection of work and living environment, education and vocational training, health and social protection, etc.) which are submitted to the Government. The Council also reviews draft laws and proposals of other regulations of importance for economic and social position of employees and employers and submits its opinion to the line ministry.

In addition to the Social-Economic Council at the Republic level, there are also social-economic councils acting at the autonomous province and local self-government levels (local social-economic councils). Establishment of such local councils is based on the agreement between stakeholders and voluntary. However, social dialogue at the local level has not been adequately developed and we cannot be completely satisfied with its functioning and its role in reforms, particularly having in mind that only 16 local social-economic councils have been established since 2005 to date.

Law on Peaceful Resolution of Labour Disputes facilitated establishment of the Republic Agency for Peaceful Resolution of Labour Disputes. Conciliators and arbitrators have been appointed as independent professionals who provide assistance to parties in dispute to resolve their disputes through an agreement and not by means of strike or law suit.

The Agency has the authority to resolve individual disputes (relating to termination of work contract and minimum wage payments) and collective labour disputes relating to conclusion, amendments to and implementation of collective contracts, exercising rights to organising trade unions and strike. Furthermore, the law also envisages the possibility to engage a conciliator in a conclusion of collective contracts with the aim to assist collective contract parties to conclude the collective contract.

Labour Law gives collective contracts a significant role. Collective contracts represent a specific source of labour law and a social dialogue cannot be developed without collective negotiations. After termination of validity of previously concluded special collective contracts (in September 2005), special collective contracts were concluded for public services with participation of the GoS (for employees in elementary schools and high schools and students' homes; for university and college education; for employees in institutions of students' standard; for employees in culture institutions whose founder is the Republic; for institutes for scientific research whose founder is the Republic; for social protection).

Negotiations for conclusion of collective contracts for health service institutions, state bodies and local self-government are currently ongoing. Furthermore, the Government participated in conclusion of a large number of collective contracts for public companies.

Social dialogue between the Government and relevant trade unions is accentuated in the process of conclusion of the Protocol with representative trade unions in some public services aimed at agreeing the growth of wages for employees in public services in the next year.

However, there are certain problems in the area of bipartite social dialogue and in most branches and industries there are no special collective contracts in place, i.e. only two collective contracts have been concluded: collective contract for catering and tourism and collective contract for engagement of music stars and artists and performers in catering, music and concert industry.

Therefore, a lot of work needs to be done on strengthening social dialogue, particularly aimed at development of bipartite social dialogue and conclusion of collective contracts in all branches of the economy, thus ensuring the minimum rights of employees.

Representatives of the Government and social partners actively participated in conferences organised by European Commission with the title “Capacity Building to Enhance Social Dialogue in Western Balkans Countries” held in Skopje in 2005 and in Belgrade in 2007 (TAIEX seminar).

3.19.3.2. Short-Term Priorities (2008-2009)

3.19.3.2.1. Legislation

Adoption of the Law on Amendments of the Law on Peaceful Resolution of Labour Disputes is planned by the end of 2008. This law will improve resolution of collective disputes between employers and trade unions which ensue from collective negotiations and strike.

3.19.3.2.2. Institutions

With the aim of capacity building and facilitating a functional social dialogue (European Partnership priority) and in accordance with the Council Resolution of 6th February 2003 on social inclusion – through the social dialogue and partnership, the Ministry of Labour and Social Policy will participate in implementation of the International Labour Organisation (ILO) project “Consolidating the Legal and Institutional Foundations of Social Dialogue in the Countries of Western Balkans and Moldova”. Project objectives: strengthening social partners and improvement of tripartite social dialogue, higher regard for the principle of gender equality in tripartite bodies and building capacities for the tripartite social dialogue.

3.19.3.3. Medium-Term Priorities (2010-2011)

3.19.3.3.1. Legislation

Due to significant changes which occurred through implementation of labour legislation and changes made to other regulations, it is necessary to make amendments to existing provisions in the Law on Strike. New law should define the role of social stakeholders in making decisions on going on strike and its implementation, industries which are obliged to secure minimum work process, as well as rights and obligations of employer, trade unions, strike board, employees and other issues.

3.19.3.3.2. Institutions

Capacity building according to the following time-scale:

Institution Name	Existing or Planned	Current Number of Employees		Planned Number of Employees per year				
				2008	2009	2010	2011	2012
Ministry of Labour and Social Policy – Labour Sector	Existing	Total						
		Department for Social Dialogue						
Social-Economic Council	Existing	Total						
Total:								

3.19.4. Employment and European Social Fund

Current situation on the labour market – Achieved macroeconomic stability and economic growth in the last few years did not have any significant impact on labour market indicators, having in mind the negative features and a trend of mild reduction of the total number of the employed. According to the Republic Statistics Office data, 2007 average number of the employed in the Republic of Serbia amounted to **2,002,345 employed** out of whom 43.4% were women. Agricultural workers (farmers) are not included in this average. 2006 average amounted to 2,025,627 employed out of whom 43.09% were women.

Employee Structure in 2007 and 2006:

Employer	Total in 2006	Women	Total in 2007	Women
Employed in companies, institutions, organisations	1,471,750	636,244	1,432,851	626,137
Private entrepreneurs and their employees	553,877	236,664	569,494	241,992
	2,025,627	872,908	2,002,345	868,129

Total number of the employed in 2007 was reduced for 23,283 people or 1.15% in comparison to 2006:

- Reduced number of employed in companies, institutions, cooperatives and organisations for 38,899 people or 2.64%,
- Increased number of private entrepreneurs and their employees for 15,617 people or 2.82%.

Regardless of reduction of the number of the employed, there is a positive trend of increase of the number of employed with university degree in amount of 6,058 employed.

Increase of the number of employed compared to the previous year occurred in sectors of education, electric power supply, gas and water supply and financial mediation and in amount of 3.8%.

Unemployment – Labour market in the Republic of Serbia, in addition to being characterised by high, structural and long-term unemployment, is also characterised by inconsistency between the labour force offer and demand, low mobility of labour force, redundancies in public and state owned companies, obsolete knowledge and skills of both the employed and the unemployed, which is a consequence of technological and economic stagnation of the society in the earlier period. Education system is producing workers with knowledge for which there is no demand on the labour market, while the adult training is at the low lever and does not provide required innovation in knowledge. As a consequence of such condition, 22% of population has only elementary education and about 30% of the unemployed do not have any qualifications, while 487,758 of the unemployed have been on the NES records longer than 24 months.

Basic Employment and Unemployment Indicators

		2001	2002	2003	2004	2005	2006	2007
1. Total number of the employed in thousands		2,102	2,067	2,041	2,051	2,069	2,029	2,002
2. Employment growth rate in %		0.2	-1.7	-1.3	0.5	0.9	-1.9	-1.15
3. Number of the unemployed □		768,595	842,652	947,295	859,728	888,386	913,293	850,003
4. Unemployment rate in %	LFS	13.3	14.5	16	19.5	21.8	21.6	18.8
	NES	24.71	27.09	27.83	26.22	26.83	27.92	26.83
5. Job vacancies (cumulative)		542,159	463,941	513,325	507,694	602,558	707,140	758,832
6. Employment (cumulative)		393,371	386,053	432,103	439,422	537,139	631,535	695,508
7. Number of unemployment fee beneficiaries □		51,150	69,566	91,000	84,119	74,654	75,059	70,887

Nevertheless, after years of growth, unemployment rate decreased in 2007. Although there is a noticeable positive trend, the labour market still has the same characteristics (high unemployment, low share of employment in the private sector, low level of labour force mobility, while the unemployment in Serbia has a long-term, structural and transitional character). Unemployment rate is high (18.8% according to the Labour Force Survey), qualification, age and gender structure of the unemployed is unsatisfactory and a large number of people are involved in grey economy.

Comparative Employment and Unemployment Rates in 2007 and 2006

Age Group	Employment Rate		Unemployment Rate	
	October 2006	October 2007	October 2006	October 2007
People of Working	49.8 %	51.5%	21.6 %	18.8%

Age (15-64)				
Youth 15-24 YoA	19.5 %	18.7%	47.8 %	43.7%

Source: LFS, Republic Statistics Office

Reduction of the unemployment rate, i.e. share of the unemployed in labour force for 2.8% occurred due to employment growth in 2007, through implementation of active policy measures, as well as reduction of the number of the allegedly unemployed through implementation of the new Law on Health Insurance and activities of inspection bodies on reduction of undeclared labour.

Moreover, there is also a reduction of registered unemployment – there were 785,099 unemployed people on the NES records at the end of December 2007, which is 14.3% less than in the same period last year and 15.2% less compared to the number of the unemployed on the records in January 2007.

Unemployment structure is also changed:

- Regarding the age structure, there is a trend of increase of the number of older unemployed people whilst the number of younger unemployed people is decreasing – over 21% of the unemployed are older than 50;
- Majority of the unemployed people are people with high school education (3rd and 4th level) – 420,993 people or 53.62%;
- 53.8% of the unemployed are women;
- Since 2000 there is a trend of reduction of the people seeking employment for the first time in the total number of the unemployed (from 62% to 48.6%) and increase of the number of previously employed people, i.e. people who became redundant in the process of company restructuring, organisational and technological changes and preparations for privatisation;
- 57.3% of people have been waiting for employment for more than two years. Largest number of unemployed people in this category has the first and second level of qualifications, i.e. 40.96 %.

According to reports on newly employed from the National Employment Service (hereinafter: the NES), 695,508 people found employment in 2007 which represents a 10.1% increase compared to the previous year. People who found employment and who were previously on NES records have a 45.3% share in the total employment, i.e. 314,847 people who were on NES records found employment in 2007 which represents a 7.9% increase compared to the previous year.

Employers reported 758,832 job vacancies in 2007 which is a 7.9% increase compared to the previous year. Increased labour demand compared to previous years is noticeable in industries of ore and stone mining, real estate business, construction works and in services (trade, health and social work and other public utility services).

Employment Policy – Reliable and comparable data on the situation on the labour market are significant for creation and development of an effective employment strategy and policy.

In accordance with the strategic direction of Serbia towards the EU accession and on the basis of the European Employment Strategy (EES), Serbia adopted the National Employment Strategy 2005-2010. Employment Strategy defines specific directions for solving the problem of unemployment in transition in the Republic of Serbia and offers solutions fitting the needs for development and available human and financial resources. Employment Strategy rests on 10 guidelines outlined in the EES and on two priorities of special importance for Serbia: support to foreign direct investments and to activation of domestic savings aimed at sustaining and creation of employment and alleviation of differences between regional labour markets.

Based on the Employment Strategy, National Employment Action Plan 2006-2008 was adopted. It outlines specific measures and activities, actors to implement those activities as well as objectives to be achieved in defined time-scale, all in accordance with the Integrated Employment Guidelines, Recommendations of the Council of Europe and the International Labour Organisation.

Strategic objectives in the area of employment imply establishment of a stable and sustainable trend of employment growth accompanied by the increase of the share of population of working age on the labour market.

In accordance with Serbian key development objectives, the following commitments have been made: raising total economic competitiveness, development based on knowledge and efficient economic structure, as well as balance of stability, developmental and social role of the state, which is fundamental for accordance of set objectives in implementation of the Serbian employment policy in the forthcoming period, namely:

1. Total employment growth at the annual rate of 1.5 % and reaching the level of 67% in 2012, particularly growth of employment of young people and reaching the level of 20%, which would lead to reduction of unemployment rate to 15.5%, according to the optimal scenario of the Economic Development Strategy;

2. Work quality and productivity increase through larger and more quality investing in human resources, completion of privatisation and solving the problem of redundancy in state owned companies and reduction in the public sector and agriculture, which will represent a basis for achieving balance between offer and demand for skilful and competent labour force;

3. Social Cohesion and Inclusion on the Labour Market through employment as the strongest mechanism for achieving equality in regard to access to jobs and employment, by means of: integration and reintegration of particularly vulnerable groups (youth, women, people with disabilities, elderly, Roma, refugees and IDPs, etc.), alleviation of regional differences through strengthening of local self-governments and support with financial instruments aimed at stimulating new jobs and employment, social dialogue at all levels, as well as through support to gender equality.

Objectives and priorities directly aimed at sustainable employment growth and incorporated into National Employment Action Plan 2006-2008 are as follows:

- unemployment reduction, increase of competitiveness, alleviation of differences between regional labour markets, as well as alleviation of difference between labour markets in Serbia and the EU;
- increasing the scope and type of active employment measures (self-employment support programmes, creating new jobs, additional education and training, public works programmes and other programmes in accordance with the law), transformation of passive labour market measures into active measures, support to professional and geographical mobility, assessment of long-term labour market demands;
- resolving the legal position of redundancies, promoting adaptability of workers and companies to changes, improving labour force offer through programmes of continuous education and training, with increased participation of marginalised groups;
- enhancement of social dialogue and effectiveness of social-economic councils and local employment councils, more active participation of social, education, tax, economic, regional and other policies stakeholders aimed at creating conditions for employment growth;
- Decentralisation and modernisation of the NES.

Serbian employment policy is put into practice through implementation of integrated guidelines and the following activities:

- Assistance in job search, acting on unemployment of young people, prevention of long-term unemployment, improving the position of vulnerable groups of the unemployed, strengthening entrepreneurship and self-employment (Integrated Guideline No. 17);
- Support to active aging and gender equality (Integrated Guideline No. 18);
- Worthwhile jobs, preventive and active measures (Integrated Guideline No. 19);
- Designing flexible forms of work, modernisation of the NES and employment agencies (Integrated Guideline No. 20);

- Integration of grey economy and reduction of the scope of undeclared work, alleviation of differences on the labour market, migration and reintegration, wages and productivity (Integrated Guideline No. 21 and 22);
- Increasing investments into development of human resources and lifelong learning, reduction of the number of school dropouts, education and training standards harmonised with the labour market demands (Integrated Guideline No. 23 and 24).

Active Employment Policy Measures are being promoted and implemented with the aim to achieve economic growth and development through creating new jobs, increasing employment and opportunities for employment, more balanced regional development, raising the level of competence and skills of the labour force on the labour market, further enhancement of partnership and cooperation aimed at stimulating employment and self-employment.

Active employment policy measures primarily include vulnerable groups of unemployed people such as: youth, elderly and people with disabilities, while a special attention is paid to inclusion of women, ethnic minorities with pronounced unemployment rate – particularly Roma, long-term unemployed people, refugees and IDPs, redundancies, unemployment fee beneficiaries, people in social need, etc.

Active employment policy measures include:

- Career guidance and counselling measures – employability assessment, individual employment plans, active job search training, job clubs, trainings in basic knowledge on entrepreneurship, group informing, career guidance and counselling, employment fairs;
- Additional education and training programmes – acquiring knowledge and skills for performing work within the scope of one’s own profession, work place requirements, professional training (apprentices and volunteers), re-training, additional training, adult basic education, sponsoring talents;
- Strengthening entrepreneurship and employment programmes – subsidies for self-employment, one-off financial assistance, subsidies for creating new jobs, reimbursement of contributions for mandatory social insurance paid by the employer, employing people with disabilities and other vulnerable categories of the unemployed, public works, other employment programmes.

Review of coverage and effects of active employment policy measures implemented through the NES

No	Active Policy Measures	Number of people included/women and the number of employed ⁴⁶ in 2006		Number of people included/women and the number of employed ⁴⁷ in 2007	
1	Counselling and individual plans	243,339 / 124,286	33,284	347,088 / 185,352	55,087
2	Employment fairs	33,857 / 17,093	4,367	47,388 / 27,337	7,345
3	Job Club	1,413 / 1,032	507	2,235 / 1,700	671
4	Training in active job search – AJS 1	38,607 / 24,637	5,861	38,997 / 24,191	7,025
5	Training in self-efficiency AJS 2	920 / 352	37	1,908	/
6	Adult basic education	59 / 26	18	140 / 59	/
7	Apprentices	1,013 / 441	1,013	1,456 / 786	1,456
8	Volunteers	5,093 / 1,486	1,707	6,145 / 4,227	1,800
9	Talents	205 / 141	29	123 / 87	/

⁴⁶ Number of the employed is being monitored for 6 months after the programme completion

⁴⁷ Number of the employed is being monitored for 6 months after the programme completion

10	Trainings (foreign languages, IT trainings)	2,854 / 1,758	656	2,128 / 1,615	1,480
11	Retraining and additional training	2,435 / 1,105	730	4,468 / 2,668	
12	Virtual enterprises	135 / 97	20	91 / 75	
13	Business centres' services	26,944	4,112	27,779 / 10,575	6,053
14	Subsidies for self-employment	4,942 / 1,845	4,942	5,465 / 2,164	5,465
15	One-off financial assistance	516 / 160	516	465 / 140	465
16	Regional programmes	3,007 / 1,609	3,007	4,108 / 2,039	4,108
17	Employment of people with disabilities	208 / 90	208	401 / 159	401
18	Reimbursement of contributions for mandatory social insurance	4,395	4,395	13,625	13,625
19	Public works	1,514	1,514	3,688	50
	TOTAL	361,461 / 187,589	66,928		

Therefore, 67,000 people found employment in 2006 as a result of all active employment policy measures implemented by the National Employment Service, which represents an over 40% growth from 2005 and primarily due to effects of the newly introduced measures.

Total funds spent on implementation of active employment measures in 2006 amounted to around 1.5 billion RSD. This means that only 0.067% of GDP was allocated for active employment measures implementation. 2.384 billion RSD was spent on active employment measures 2007. A total of 3.014 billion RSD was allocated for active employment measures from the Budget of the Republic of Serbia.

In 2007, active employment measures included 660,371 people or 84.1% of the total number of the unemployed on records. Active employment measures which included financial support covered 139,414 unemployed people or 17.76% of the total number of the unemployed, while non-financial support covered 520,957 unemployed people or 66.36% of the total number of the unemployed.

Structure of people covered by measures in 2006				Structure of people covered by measures in 2007			
under 25	26-30	over 50	Long-term unemployed	under 25	26-30	over 50	Long-term unemployed
91.553	74.698	33.333	77.366	120.351	97.901	66.556	136.644

Furthermore, GoS also adopted the 2008 Active Employment Policy Programme in the Republic of Serbia aimed at employment growth and increase of employment opportunities – by stimulating economic growth and development and creating new jobs from the aspect of even regional development with the support of macroeconomic, fiscal, regional-local and sectoral policy measures. The Programme outlines that priorities include development of flexible and efficient labour market and economic development of business environment, as well as employment growth at the annual rate of 1.5%. Defined priorities are achieved through financial and non-financial support for creation of new jobs, by providing the following:

A) Non-refundable support – employment subsidies imply active employment policy measures aimed at stimulating employment, namely: 1) for establishment of companies, shops and other forms of entrepreneurship, in amount of RSD 130,000 per beneficiary; 2) subsidies for creation of new jobs for employment of 50 unemployed people in SMEs, in amount of RSD 160,000 per beneficiary in the least developed municipalities, RSD 130,000 per beneficiary in underdeveloped municipalities and RSD 80,000 per beneficiary in other municipalities. If a person belongs to one of the vulnerable groups of the unemployed people (people with disabilities, Roma, elderly people over 50), the abovementioned amounts are being increased by RSD 40,000; 3) subsidies for stimulation of direct investments for creation of over 50 new jobs by large companies, in amount of €2,000-10,000, i.e. RSD equivalent.

B) Loans – which implies active employment policy measures aimed at stimulating employment and SMEs development, namely: 1) start-up loans for establishment of companies, shops and other forms of entrepreneurship, in amount of €5,000-30,000, i.e. RSD equivalent; 2) development loans for stimulation of development, investments, modernisation, introduction of innovations and employment in SMEs, with a longer grace period and low interest rate which is set according to the underdevelopment status of a municipality.

C) Active employment policy measures for stimulating employment of certain categories of the unemployed people include: 1) stimulating employment of people with disabilities through reimbursement of disabled people wages for 12 months, reimbursement of contributions for mandatory social insurance, inclusion in adequate programmes of training and additional education, etc.; 2) stimulating employment of youth through self-employment, employment with another employer, inclusion in programmes of apprenticeship, volunteering and practical training, reimbursement of contributions for mandatory social insurance, establishment of the Centre for Stimulating Employment of Youth, etc.; 3) additional education and training for a known employer or for the labour market, entrepreneurial trainings, career guidance measures, active job search, job clubs, employment fairs, etc.; 5) employment in public works for beneficiaries of unemployment fees, people in social need, certain ethnic minorities, etc.; 6) implementation of the Severance to Job Project aimed at stimulating employment of redundancies as well as prevention of their unemployment; 7) stimulating employment of women, particular ethnic minorities who have more pronounced unemployment rate and other vulnerable categories of the unemployed (self-employment, cooperation of a number of unemployed, additional education and training, old and art crafts, etc.); 8) other measures.

In the forthcoming short-term period, Serbian employment policy envisages: adoption of the Law on Professional Rehabilitation and Employment of People with Disabilities, which in a complex manner prescribes determination of status and assessment of capability for work, professional rehabilitation measures and activities modelled according to the most successful measures in the EU, obligation of all employers to employ people with disabilities, etc.; drafting new Employment Law which would in a unique and comprehensive manner regulate basic postulates in combating unemployment and stimulating employment; developing National Employment Action Plan 2009-2010 on the basis of reports and analysis of active employment policy effects in the previous period; drafting Youth Employment Action Plan; establishment of the system of labour market projections; establishment of the training system in accordance with demands in the economy and designing standardised programmes and final exams enabling acquirement of certain qualifications and acknowledged certificates, etc.

Enhancement of **social dialogue** in employment policy in Serbia represents one of the priorities and the role of social partnership and social dialogue is in that sense determined by a number of regulations related to economic and social issues. Legal framework validates the credibility of certain bodies as representative bodies, defines their rights and responsibilities, which represents a foundation for a constructive and productive social dialogue and establishment of social partnership required for implementation of the Employment Strategy and the National Employment Action Plan. In that respect, a number of bodies have been established and commenced work at the national level. These bodies are:

Social-Economic Council, Pension Insurance Fund Steering Committee, NES Steering Committee, Employment Council and Education Council. Social-economic councils and employment councils have also been established at the local self-government level (106 local councils). Tripartite and working bodies have primarily an advisory role, but their opinions, views and proposals are of particular importance because they consist of not only representatives of all social stakeholders but also a number of experts in relevant areas.

Functional modernisation and efficiency improvement of the **National Employment Service** implies: effective implementation of employment policy; efficient monitoring of employment policy effects; increased participation on the labour market; establishment of the system of the labour market projections; developing centres for career guidance and counselling; developing IT system and system of self-service; establishing the service flow; orientation on employers' and labour market demands; improving the methodology and the system of statistical and analytical labour market surveying.

Professional Education and Training System Reform

Educational structure of the unemployed in Serbia is characterised by a high share of people with elementary (27.7%) and high school education (55.1%), while the share of people who have not graduated from elementary school amounts to 3.9% with 3.4% of people without any education.

The structure of the formal educational level of labour force is for the most part satisfying, but a large number of the unemployed with high school, college or university education who do not possess appropriate competencies and skills for performing certain jobs which correlate their qualifications, i.e. their qualifications are not in accord with their educational level. Moreover, the length of waiting on employment results conditions the loss of knowledge and skills (28% of people have been on the records up to 1 year, 20% of the unemployed have been on the records for 1-2 years, while around 50% have been on the records for more than two years).

The issue of harmonisation of education functions with the labour market demands nowadays represents one of the grand strategic issues and addressing it is becoming extremely urgent and demands prompt actions. According to labour market surveys, employers and leaders desire employees who will continuously modernize and further perfect their skills and who will communicate in an effective way and work independently. Several fundamental problems have been pronounced for years: youth employment, especially generations finishing high school and the issue of unemployment; issue of licensing and certification, adult education and informal education in general; inclusion of social stakeholders into education system, high school and adult education in particular; issue of the National Qualifications Framework; issue of ways and methods of defining profiles being educated in the education system and which this system is "producing"; conceptual defining of Human Resource Development Strategy in Serbia; education system efficiency, university education in particular.

In 2006, GoS adopted Serbian Secondary Vocational Education Development Strategy and Adult Education Development Strategy. These strategies are mutually complementary and to a large extent in accordance with the EU lifelong education concept, in terms of *the Lisbon Declaration* and the Copenhagen Process, which defines European policy frameworks for vocational education (nomenclature of qualifications, general standards for vocational education, certification system, etc.).

Achieving objectives set forth in these documents calls for:

10. Setting up a system for regulation of cooperation and liaising vocational education with all social partners and interest groups (employers, trade unions, chamber of commerce, professional associations, state institutions and governmental bodies);

11. Setting up systematic mechanisms for further development of vocational education at the national level and establishment of social partnership in vocational and adult education – forming a national body for harmonisation of vocational and adult education and agencies for vocational and adult education;
12. Ensuring that labour market demands have influence on development and scope of vocational education in certain professions, scopes of work and profiles;
13. Inclusion of social partners in assessment of labour market demands and needs, defining and structuring education profiles, evaluation of education profile results (external committees included in final exams and graduation exam, master and specialist exams, certification, initiation and evaluation of new education profiles);

With respect to such premises of the Vocational Education Development Strategy, an intersectoral body for harmonisation of education with labour market demands needs to be established, namely the ***Council for Harmonisation of Education with Labour Market Demands***.

In order to overcome these problems, it is necessary to change direction of the further development of secondary vocational education from early specialisation towards acquiring general professional knowledge and skills giving the possibility of flexible selection of vocational specialisation in final grades of high school and after high school (with the exception of craftsmanship professions). It is also necessary to base the education system on knowledge in order for the education and learning to be evaluated by performance, comprehensiveness, distributiveness and diversity of learning methods.

Instead of linear professional development and engagement on one job, modern labour market demands change of jobs and profession several times during a working life. Such a process calls for development of new services at work and career guidance and counselling, facilitating the turn from the traditionally orientated selection of profession towards developing skills and professional enhancement adjusted to the practice demands.

Required Measures and Activities:

- Establishing system of projections on the labour market, facilitating efficiency in meeting employers' demands;
- Assessing demands for certain professions, i.e. knowledge and skills through a dialogue between representatives of the education system, NES and employers at all levels;
- Developing standardised programmes and final exams which would enable acquiring of certain qualifications and acknowledged certificates;
- Defining and implementing the procedure for institution licensing;
- Defining and implementing the procedure for certification of acquired knowledge with defined competency criteria;
- Setting employment standards with the possibility of easy and fast supplementation in accordance with constant changes on the market;
- Adopting laws in the area of education, as well as adult education and starting up institutions for its implementation.

3.19.5. Social Inclusion

3.19.5.1. Current Situation

3.19.5.1.1. Legal Framework

Family Law was adopted in 2005 (“Official Gazette of the Republic of Serbia” No. 18/2005). Family Law text has been harmonised with the UN Convention on the Rights of the Child, while the

special attention has been paid to provisions of the International Covenant on Civil and Political Rights, International Covenant on Economic, Social and Cultural Rights, Hague Convention on Protection of Children and Cooperation in Respect of Intercountry Adoption, European Convention on the Exercise of Children's Rights, European Convention on the Adoption of Children, European Convention on the Legal Status of Children Born out of Wedlock and other international documents of significance for this area. Family Law directly integrated Article 8 of the European Convention of Human Rights, Article 7 of the Convention of Rights of the Child, Article 2 of the First Protocol to the European Convention of Human Rights, Article 10 Para 1 and 5 of the Council Convention on the Adoption of Children and Article 2 of the European Convention on the Legal Status of Children Born out of Wedlock.

Family Law defines the legal intervention criteria as general legal standards, the focus being on the child's best interest and autonomy of the family. Nevertheless, it gives space to define professional standards through by-laws, which are also obligatory legal acts. Family Law was the foundation for adoption of by-laws which define (1) keeping unique personal records on adoption, (2) manner of keeping records and documentation on adopted children, (3) adoption preparation programme, (4) more specific requirements for foster care, (5) foster care preparation programme, (6) manner of keeping records and documentation on foster care, (7) manner of keeping records and documentation on people who were victims of violence, as well as on people who were included in protection system and (8) manner of keeping records and documentation on people under custody.

Regulations defining the following areas are currently being drafted: (1) organisation of work of custody bodies, professional work standards and content of and manners of keeping records and documentation, (2) operating procedures, composition and financing of the standing committee for cataloguing and value assessment of the property of protégés under custody, (3) procedures for submission of reports and accounts by custodians on performing custody duties, (4) requirements for reimbursement of costs and bonuses for custodians, (6) operating procedures, composition and financing of the standing committee for cataloguing and value assessment of the property of people under custody (7) procedures for supervision of professional work of custody bodies.

Law on Social Protection and Social Security of Citizens was adopted in 1991 and has been amended on a number of occasions. All amendments to this law to date, including those made in 2001, could not follow reform ideas developed in the meantime. Legal solutions in the law in effect enable: passive position of beneficiaries, undeveloped network of social services, undeveloped and unexploited non-profit (non-governmental) and private sector, as well as centralised, inflexible, paternalistic, uneconomical and inefficient system. Such features of the law which is currently regulating social protection in Serbia have made it inappropriate, since legal solutions do not correspond to the new social situation and citizens' needs.

Law on Financial Support to Families with Children contributed to overall measures of social care for children and refers to improving conditions for satisfying children's basic needs, special birth rate stimulations and support to financially vulnerable families, families with children with special needs and children without parental care. Rights defined in this law are as follows: salary and benefits during maternity and parental leave; absence due to child care and absence due to a special child care; parental benefits; child benefits; reimbursement of preschool institution costs for children without parental care; reimbursement of preschool institution costs for children with special needs; reimbursement of preschool institution costs for children from financially vulnerable families.

Poverty Reduction Strategy represents the GoS plan for Serbia to go through the transitional period as fast as possible, whilst taking care of the poorest people and people who are not able to use the chances which transition brings. Adopted in 2003, its objective is to halve poverty in Serbia by 2010. Main strategic directions which facilitate achieving of this goal are as follows: (1) dynamic economic growth and development with the emphasis on creating new jobs in the private sector, (2) prevention of new poverty as a consequence of the economy restructuring and rationalisation of public administration

and (3) efficient implementation of existing and defining new programmes, measures and activities targeting the poorest and socially vulnerable groups.

According to Republic Statistics Office data based on the Household Survey carried out during the summer of 2007, poverty in Serbia was halved in the period 2002-2007. Hence the objective which the Government set forth in the Poverty Reduction Strategy has been achieved as soon as in 2007. Data show that there were 14% or around million poor people in Serbia in 2002 and 6.6 or 490,000 in 2007. The number of poor people was thus reduced for more than 500,000. Significant poverty reduction which in Serbia occurred during 2003-2007 was a consequence of a significant and continuous economic growth since 2003, with the real income growth (higher than GDP growth), growth of pensions and other social transfers, as well as other citizens' income growth, growth of transfers from abroad in particular.

Poverty in Serbia is primarily a rural phenomenon, i.e. in 2007 it was prevailing in rural areas more than in urban areas (9.8% to 4.3%), as it was five years earlier. Although the poverty was reduced in all regions in Serbia, differences between regions increased as regards to poverty in urban and rural areas. Percentage of poor citizens dropped in all Serbian regions – mostly in rural areas of Belgrade and Sumadija and to the least extent in urban areas of East Serbia. Just like five years ago, rural population in South-East Serbia was most vulnerable with 18.7% of people being under the poverty line in 2007. 6.4% of population and 18% of poor people live in this region. Differences in poverty between urban and rural areas within a region have been deepened even more due to the fact that poverty reduction was higher in urban than in rural areas during 2002-2007.

Implementing the Poverty Reduction Strategy, Serbian Government applies reform measures in all areas by providing resources from the budget and international donors. Various stimuli were introduced in the earlier period aimed at employment of youth, Roma and people with disabilities as well as new social protection services including deinstitutionalisation of children and home care for elderly. Furthermore, more favourable loans for companies in poorest municipalities have been introduced through the Development Fund. Preschool education became mandatory and new profiles of secondary vocational education have been introduced. In the area of minority protection, programmes have been initiated for improvement of health of Roma people. The objective is to create new jobs and ensure equal development of all area in Serbia leading to more equal poverty reduction.

In order to assess whether planned effects have been achieved, in January 2008 Poverty Reduction Strategy Implementation Team of the GoS Deputy Prime Minister has initiated a process of impact analysis for public policies implemented during 2003-2007. This analysis will be carried out until September 2008 with the aim to serve as foundation for development of new and revision of existing policies of the Government, in order for all measures to be entirely based on the need of those people they are targeting and henceforth to implement only best value for money measures.

Social Protection Development Strategy, a document outlining principles and objectives of the social protection system reform, has been implemented since the beginning of 2006 and represents a framework for designing and coordination of all developmental projects.

Social Protection Development Strategy was adopted in 2005 with the objective to facilitate the development of: (1) efficient social protection system, targeting beneficiaries needs, (2) social protection system based on exercise of human rights, (3) the system facilitating participation of beneficiaries in designing services and decision making process, beneficiaries rights to chose services and service providers, respect of beneficiaries' dignity and interests, equality in access to services and respect for the right to live in a natural environment, (4) partnership between public, non-governmental and private service providers, (5) local initiatives in designing social protection services and (6) service standards, control mechanisms, system of licensing of services, service providers and training programmes.

Achieved strategy implementation results are primarily related to the accomplished level of deinstitutionalisation of protection of children and youth without parental care, improvement of protection of children in foster care as an alternative to institutional protection, when separation of

children from their parents is in their best interest, developing services at the local level (with support to local self-government through Social Innovation Fund or donor funds), enhancement of social protection facilities (through NIP) and consensus made around decentralisation process.

Within its authority to facilitate and implement social protection system, family-legal protection system, improvement of position of families and children (Law on Ministries Article 15, “Official Gazette of the Republic of Serbia” No. 48/07), the Ministry of Labour and Social Policy takes measures to improve the quality of life and integration of insufficiently integrated groups of population such as: Roma population, returnees on the basis of readmission agreement, victims of human trafficking, citizens of Serbia – former refugees (who have opted for permanent integration by taking Serbian citizenship), etc.

In accordance with legal authorities to carry out activities aimed at improving position of families and children, the Ministry takes measures to improve the quality of life of children and families with children. The objective of the Birth Rate Stimulation Strategy, adopted by the GoS on 31st January 2008, is not only to achieve desired demographic growth, but also to create conditions for security and approximately equal conditions for development of all children through activities aimed at direct financial support to families, active employment measures targeting young unemployed parents, more favourable conditions for solving housing issues of parents with children, designing various programmes and services in preschool institutions and schools, strengthening parental skills, protection and improvement of health of parents and children.

National Aging Strategy, adopted in September 2006, sets forth measures and activities aimed at ensuring dignified life of elderly, solidarity between different age groups, participation of the elderly in society and in politics, care for elderly, healthy aging and new aging culture, i.e. high quality life for the elderly, though integral and coordinated policy aimed at satisfying elderly people’s needs and utilising all of their potentials.

3.19.5.1.2. Institutional Framework

Ministry of Labour and Social Policy has a Sector for Family Care and Social Protection employing forty public servants. The Sector consists of the following organisational units: Department for Social Protection Strategy and System Development (12 public servants), Department for Administrative Supervision Affairs (8 public servants), Department for Administrative Affairs in the Field of Social Protection Benefits (7 public servants), Department for Inspection Supervision (7 public servants) and Department for Demographic Policy and Financial Support to Families with Children (6 public servants).

Ministry of Labour and Social Policy is currently endorsing a new Decision on Social Protection Institutions Network in the Republic of Serbia, to be adopted in the beginning of April 2008. This decision is in accordance with the Serbian Social Protection System Reform and key national documents – Poverty Reduction Strategy, National Action Plan for Children and Social Protection Development Strategy, which set forth fundamental principles and directions of development in social protection area. In comparison to the Decision of Institutional Network currently in effect (endorsed in 1991), the number of institutions for children is reduced, while particular attention is paid to protecting the interests of children and youth without parental care with severe functional difficulties. Compared to the current number of beneficiaries placed in homes for children without parental care (1,031), this Decision provides for placement capacity for 686 children without parental care, which is a 34% reduction. This capacity reduction is in accordance with real needs of children and resolution to apply less restrictive protection measures, i.e. already created conditions for implementation of child protection in a family environment, which is in accord with children rights.

Decision on the Network sets forth establishment of 16 centres for placement in families as organisational units of social work centres and Foster Care Centre in Belgrade as an independent

institution, which facilitates implementation of standards for protection of children in foster care families and carrying out new activities introduced by the Family Law, i.e. providing adequate support to children and foster families and control of foster care purpose fulfilment.

Abovementioned activities facilitate consistent implementation of objectives set forth in the Social Protection Development Strategy related to the process of deinstitutionalisation of protection of particularly vulnerable groups (European Partnership priority).

Ministry of Labour and Social Policy also has a Sector for Demographic Policy with six employees. The Sector carries out the following tasks: (1) designing measures of importance for demographic policy and family planning, (2) assessing the situation and proposing measures for improvement of the general quality of life and the family, particularly marginalised and insufficiently integrated population groups, (3) promoting social inclusion and antidiscrimination policy, (4) monitoring the situation and taking appropriate measures and activities aimed at integration of IDP families, returnees according to the readmission agreement, labour migrants, Roma population, victims of human trafficking, people treated for addiction diseases, people with HIV/AIDS, ex-convicts and other marginalised social groups, (5) drafting laws and other regulations and strategic documents in the area of demographic policy and family planning, social inclusion and antidiscrimination policy, (6) providing opinions on drafts of strategic documents, laws and other regulations prepared by state bodies and (7) establishing cooperation with professional and scientific institutions and organisations.

In accordance with the Proposal of National Strategy for Integration and Empowerment of Roma aimed at creating conditions for enhanced integration of Roma (European Partnership priority), resources were allocated from the Republic Budget for activities of coordinators for Roma affairs in 40 municipal social work centres by the end of 2008. Activities of coordinators for Roma affairs should facilitate better informing of Roma population as regards their rights, i.e. access to all public services. Cooperation with schools, health institutions and other stakeholders in the local community and participation in drafting of local plans should contribute to acknowledgement of particular features of Roma population relevant for efficient organisation of integration support services, planning development of service and measures required in the local community. In February and March 2008, in cooperation with the Secretariat for Roma National Strategy within the Human and Minority Rights Department, municipalities were selected based on criteria of having the largest population of Roma and pronounced problems of social integration of this population group. There is an ongoing selection of coordinators and signing of agreements with local self-governments who will assume their financing starting from 2009.

With regard to the need of systematic, coordinated and comprehensive approach to open issues in accordance with obligations ensuing from the Readmission Agreement signed on 22nd November 2007 (European Partnership priority), Serbian Government formed the Council for Integration of Returnees based on the Readmission Agreement (“Official Gazette of the Republic of Serbia” No. 107/07) consisting of representatives of all line ministries and government offices. Representatives of all authorised state bodies and organisations, as well as experts in various fields can also participate in Council’s activities. Minister of Labour and Social Policy formed Cross-sectoral Work Group for drafting the Strategy for Integration of Returnees based on the Readmission Agreement and the Action Plan for admission, taking care of and integration of returnees based on the Readmission Agreement. Abovementioned documents will be adopted promptly. The Republic Budget resources have been allocated for activities of 9 employees in transitional centres aimed at providing conditions for primary admission and integration, including establishment and financing of transitional central on the basis of 10,000 returnees per year, establishing individual and family social-economic status of returnees, keeping records, housing, employment support to local self-governments, etc. Social integration of returnees, Roma people being the largest group according to the expectations, will also be facilitated through engagement of coordinators for Roma affairs in 40 municipalities in Serbia. Including 23 already active coordinators funded by UNDP, OSCE and local self-governments, returnees will be able

to resolve status issues, obtain documents, basic social care, to enrol children in schools and pre-school institutions, as well as any other issues of interest, all in their mother tongue in over 60 municipalities in Serbia. In accordance with the Asylum Law, (“Official Gazette of the Republic of Serbia” No. 109/07), through adoption of Regulations on Social Assistance for people who seek employment, i.e. who have their asylum approved in April 2008, conditions were created for asylum seekers and those granted asylum to exercise their rights to social assistance under same conditions as the citizens of Serbia.

With the aim to coordinate protection of victims of human trafficking, the Ministry, supported by the OSCE Mission in Serbia, has established a Department for Coordination of Protection of Human Trafficking Victims in 2004. This Department represents a focal operative body of the national mechanism for combating human trafficking and protection of victims and is included in the National Team for Combating Human Trafficking. Serbian Government formed the Council for Combating Human Trafficking in 2004 (“Official Gazette of the Republic of Serbia” No. 113/2004). Serbian Government also adopted the Strategy for Combating Human Trafficking in the Republic of Serbia (“Official Gazette of the Republic of Serbia” No. 111/2006) which set forth clear strategic goals, measures, and activities for all stakeholders in combating this social phenomenon (European Partnership priority). Programme for Enhancement of Assistance and Protection of Human Trafficking Victims in the Republic of Serbia was drafted and subsequently endorsed by the Serbian Government. The Programme envisages utilisation of gained resources for facilitation of Department activities on identification of victims, urgent assistance, translation, communication, primary care, reintegration, resolving civil-legal status, medical aid, legal aid, psycho-social assistance, education and skills acquirement, workshops and trainings and for assistance in sustainable integration – funds for an independent life. Human trafficking victims are being placed in appropriate social protection institutions and NGO shelters. Resources have been allocated from 2008 Republic Budget for strengthening of human (2 new employees) and financial resources of the Department for Coordination of Protection of Human Trafficking Victims. Since 2005, education and training programmes have been implemented in cooperation with NGOs targeting social protection services and other organisations providing services related to protection of human trafficking victims. These programmes and trainings are carried out at regional levels. Their objection is acquiring of adequate knowledge and skills related to identification of human trafficking victims, taking all available legal measures and proposing new measures for eradication of causes of and possibilities for human trafficking, provision of psychosocial support, assistance and protection of victims and finding and creating possibilities for adequate acceptance and care for victims.

With the intention to facilitate favourable conditions for permanent integration and quality life of former refugees (European Partnership priority), the Ministry has developed a new form of social protection in 17 municipalities in Serbia - social housing in protected environment. This was carried out during 2004 and 2005 in cooperation with the Refugee Committee, international donors, local self-governments and social work centres. Such a form of protection meets the needs of elderly people without family care, single parents and families who are not in the position to independently create conditions for a quality life due to health or psycho-physical condition of one of their members. It provides housing services and various support services for a more quality and active life of beneficiaries in the family environment, which at the same time facilitate social integration. This form of protection is under the jurisdiction of the local self-government and it contributes to the decentralisation process by strengthening the role of local self-governments in protection of their citizens. Positive experience in protection and social integration of beneficiaries of this form of protection have lead to building facilities for social housing in protected environment for placing of beneficiaries of collective centres – Serbian citizens – in several more municipalities. Creating conditions for permanent integration of families from this population group has commenced in 2008 in cooperation with NGOs and donors. It was carried out through a programme for social housing and development of services for support to economic independence.

3.19.5.2. Short-Term Priorities (2008-2009)

3.19.5.2.1. Legislation

- Drafting of new model Law on Social Protection commenced in November 2007. New legal solutions will be based on: social protection system resting on respect for human rights, participation of beneficiaries in creation of services and decision making process, beneficiary's right to chose services and service providers, respect of beneficiary's dignity and interest, equality in access to services, partnership of public, non-governmental and private service providers, stimulating local initiatives in creating social protection services and respect for right to life in a natural environment.

Professional assistance in the process of drafting the Law was provided by international experts (Slovenian consultant) and local experts (4), who all possess specific knowledge on particular segments of the social protection system. There is a need for engagement of another international expert.

Responsible institution: Ministry of Labour and Social Policy. Adoption of this Law is expected to occur by the end of the fourth quarter in 2009.

- Drafting of the Law on Amendments to the Law in Financial Support to Families with Children in accordance with the need for improvements identified during the Law implementation, the necessity for more significant financial support to families with children with special needs, both children of pre-school age and older children starting day care, as well as the planned amendments in accordance with the Birth Rate Stimulation Strategy.

Responsible institution: Ministry of Labour and Social Policy. Adoption of this Law is expected to occur by the end of the fourth quarter in 2009.

Draft Law on Protector of Children's Rights has been submitted for adoption to the National Assembly on 14th December 2007. According to this Law, fundamental capacity of the Protector of Children's Rights is monitoring of harmonisation of Serbian laws and other regulations pertaining to protection of children's rights with the provisions set forth in the Constitution of the Republic of Serbia, UN Convention on the Rights of the Child and other international documents pertaining to protection of children's rights and interests. Protector of Children's Rights is responsible for promotion and strict exercise of the Article 12 of the UN Convention on the Rights of the Child and provisions of the Family Law pertaining to children's rights in general and to participation in procedures for making decisions on their rights in particular (Family Law, Article 65). Adoption of this Law is expected to occur by the end of the fourth quarter in 2009.

By-laws:

- Draft Regulations on Standards and Organisation of Work in Social Work Centres; adoption expected by the end of the forth quarter in 2008
- Draft Regulations on More Specific Requirements for Awarding Prizes and Acknowledgements for a Successful Work in Social Protection; adoption expected by the end of the forth quarter in 2009
- Draft Amendments to Regulations on Criteria and Standards for Setting the Price of Social Protection Services financed by the State; adoption expected by the end of the forth quarter in 2008
- Draft Amendments and Innovations to Decision on the Network of Social Protection Institutions; adoption expected by the end of the third quarter in 2008
- Draft Regulations on More Specific Requirements for Foster Care and Standards for Protection of Children in Foster Care; adoption expected by the end of the second quarter in 2008
- Draft Regulations on Operating Procedures, Composition and Financing of the Standing Committee of Custody Bodies, on Procedures for Submission of Reports and Accounts By

Custodians and on Requirements for Reimbursement of Costs and Bonuses for Custodians; adoption expected by the end of the fourth quarter in 2008

- Considering identified deficiencies, there is a necessity for amendment of the Regulations on Requirements, Procedures and Methods for Exercising the Right to Absence from Work Due to a Special Child Care in cooperation with the Ministry of Health; absence due to child care and absence due to a special child care
- Harmonisation of Regulations on More Specific Requirements and Methods for Exercising the Right to Financial Support to Families with Children with the amendments to the Law; adoption expected by the end of the fourth quarter in 2008

Priorities:

- Draft and adopt an action plan for creating conditions for enhancement of integration of Roma (including returnees), in cooperation with the Secretariat for Roma National Strategy within the Department for Human and Minority Rights (European Partnership priority)
- Prepare a protocol on cooperation between governmental, non-governmental and international organisations on cooperation and procedures in protection of human trafficking victims
- Adopt legislation required for functioning of shelters for human trafficking victims (through establishing new institutions or assigning of these tasks to existing social protection institutions or NGOs).

3.19.5.2.2. Institutions

Activities planned to be implemented in the system of social protection and family protection in Serbia by the end of 2009 as follows:

- Creating conditions for introducing new professional work standards, procedures and organisational models in social work centres in regards to performing tasks related to custody, protection and family support and improving mechanisms for service quality control;
- Creating conditions for developing local community services guaranteeing protection of vulnerable groups in the least restrictive environment and support to the innate family;
- Establishing an efficient system of protection of children from abuse and neglect in social protection services;
- Further enhancement of child foster care institutes through creation of conditions for placement in foster families for children without parental care, children with learning disabilities and children with behavioural problems and establishment of centres for placement in families – 16 centres for placement in families as organisational units of social work centres and one centre for placement in families in Belgrade as an independent institution

Capacity building in the Sector for Family Care and Social Protection will be implemented through further specialisation of staff and procurement of equipment with the aim to facilitate monitoring of the situation in this field and proposing measures for further improvement of social protection and social policy as well as drafting possible amendments to laws and by-laws.

Capacity building of the inspection service will be implemented through engagement of new personnel, further specialisation of staff and procurement of equipment with the aim to fortify control of law implementation, improved monitoring of developments in this field, collecting and processing of acquired statistical data obtained by law implementation, as well as drafting possible amendments to laws and by-laws in accordance with changes in the social protection area. Current number of staff in the Section for Inspection Supervision is insufficient to ensure comprehensive and continuous inspection control coverage of all institutions in the social protection system and service providers in the private sector. Within the process of decentralisation of power, inspection supervision should be transferred to municipal or city authorities. Municipal or city inspectors are acting at the first level of inspection supervision, while the Section for Inspection Supervision of the Ministry of Labour and Social Policy

performs direct inspection supervision of institutions, if supervision is not performed by municipal or city administration.

Capacity building in the Ministry of Labour and Social Policy, Sector for Demographic Policy will be implemented through further specialisation of staff, sufficient number of employees with the aim to facilitate monitoring of the situation in this field, proposing measures for further policy enhancement and carrying out necessary legal activities (drafting of possible legal regulations, strategic documents, relevant opinions).

Priorities:

- Draft and adopt an action plan for creating conditions for enhancement of integration of Roma (including returnees), in cooperation with the Secretariat for Roma National Strategy within the Department for Human and Minority Rights (which is a necessary precondition for organising more efficient protection and integration),
- Increase the number of municipalities with coordinators for Roma affairs; identify problems in implementation of coordinators' tasks and take necessary measures,
- Organise two transition centres (Belgrade, Nis) for the first admission of returnees on the bases of readmission,
- Form a readmission team in addition to personnel funded from the budget with the task to organise primary admission and cooperation with receiving communities and also to contribute to resolving of issues significant for prevention of secondary migration (prevention of human trafficking, positive discrimination, etc.),
- During 2009, provide support to receiving local self-governments who are not strong enough in economic terms for create conditions required for integrations,
- Form a readmission team within the Ministry of Labour and Social Policy which would function within transition centres with the task to organise primary admission and cooperation with receiving communities and also to contribute to resolving of issues significant for prevention of secondary migration,
- Secure special shelters for juvenile victims of human trafficking,
- Provide legal regulations required for functioning of shelters for human trafficking victims (through establishment of new institutions or assigning these tasks to existing social protection institutions or NGOs),
- Provide appropriate working conditions (facilities, equipment, accommodation costs),
- Prepare a protocol on cooperation between governmental, non-governmental and international organisations on cooperation and procedures in protection of human trafficking victims,
- Continue with improvement of conditions for carrying out tasks related to coordination of protection of trafficking victims, with separation of activities on coordination from organisation of protection,
- Continue with training of subjects in identifying occurrence and taking adequate measures,
- Create conditions for social integration of victims,
- Establish exchange of information on occurrence, measures and their efficiency in the international framework.

3.19.5.3. Medium-Term Priorities (2010-2011)

3.19.5.3.1. Legislation

It is necessary to analyse the level of harmonisation of other laws regulating issues important for the social protection area, primarily sets of regulations regulating the health care area. This is scheduled for 2010 with the aim to initiate their harmonisation with the future Law on Social Protection and the new concept of comprehensive responsiveness to beneficiaries' needs.

3.19.5.3.2. Institutions

Priority activities until the end of 2011:

- Establishing foundations for integral protection of most vulnerable and sensitive groups of population, efficient system of financial benefits, developing local community service network and introducing quality control system and improvement of the control system in social protection;
- Establishing standards for services in the social protection system, introducing a comprehensive licensing system for service providers and certification of training programmes as a foundation for licensing of professional workers in social protection;
- Facilitating access to and exercising social protection rights for marginalised groups;
- Further capacity building for taking care of beneficiaries through social housing in protected environment;
- Developing various housing programmes with assistance aimed at economic independence;
- Inclusion of other population groups necessitating support and tailoring services to their needs;
- Training representatives of local self-governments, social work centres and NGOs in identifying needs for support and ways to meet those needs;
- Building capacities of receiving local self-governments aimed at creation conditions for integration of returnees, through support services and securing of own revenues;
- Assessment of human resources in Serbian municipalities from demographic, economic and social aspects, relevant for decision making and state policies implementation;
- Adoption of a strategic document on comprehensive demographic policy;
- Implementation of already endorsed strategies (on birth rate stimulation and on aging);
- Creating demographic policy in local communities;
- Setting up a relevant data base with the aim to monitor, analyse and carry out measures for improving the position of individuals and families from vulnerable groups;
- Setting up a special republic fund for support to local self-governments in creating of conditions for integration of all inadequately integrated groups.

Institutional capacity building according to the following time-scale:

Institution Name	Existing or Planned	Current number of employees	Planned Number of Employees per year					
			2008	2009	2010	2011	2012	
Ministry of Labour and Social Policy – Sector for Social Protection and Family Care	Existing	Section for Inspection Supervision	7	8	9	10	11	12
Regional Inspectorates	Planned	Total	-	5	7	8	9	10
Ministry of Labour and Social Policy – Sector for Demographic Policy	Existing	Total	6	10	12	13	14	14
Total:			13	23	28	31	34	36

3.19.6. Social Insurance

3.19.6.1. Pension and Disability Insurance System

3.19.6.1.1. Current Situation

3.19.6.1.1.1. Legal Framework

Serbian pensions system incorporates: (1) the system of pension and disability insurance – mandatory (state) system, resting on the principle of cross-generation solidarity and pay-as-you-go financing; it covers employed people, self-employed people (including freelance professions) and farmers; (2) the system of voluntary pension funds and pension plans, functional since 1st April 2006.

Mandatory pension and disability insurance in Serbia is regulated by the Law on Pension and Disability Insurance (“Official Gazette of the Republic of Serbia” No. 34/03, 64/04, 84/04, 85/05, 101/05 and 63/06), put in effect and enforced since 10th April 2003. There are ongoing activities on amendments to this law expected to be adopted by the end of 2008.

Issues related to persons obliged to pay contributions, auditing, payments and control of collection of contributions for mandatory pension and disability insurance are regulated by the Law on Contributions for Mandatory Social Insurance (“Official Gazette of the Republic of Serbia” No. 84/04, 61/05 and 62/06).

By-laws in effect in the area of mandatory pension and disability insurance are as follows: Regulations on Determining Occupational Illnesses (“Official Gazette of the Republic of Serbia” No.

105/03), Regulations on Determining Physical Damages (“Official Gazette of the Republic of Serbia” No. 105/03), Regulations on workplaces, i.e. jobs requiring that the length of service (insurance) is calculated with increased duration (“Official Gazette of the Republic of Serbia” No. 105/03, 126/04, 93/05, 3/07, 8/07 and 56/07), Decision on a unique codes for entering data into central records on insurants and beneficiaries of pension and disability insurance rights (“Official Gazette of the Republic of Serbia” No. 118/03 and 11/06), Decision on data fill-out forms for the central records on insurants and beneficiaries of pension and disability insurance rights (“Official Gazette of the Republic of Serbia” No. 118/03 and 11/06) and Decision on unique methodology principles for keeping central records on insurants and beneficiaries of pension and disability insurance rights (“Official Gazette of the Republic of Serbia” No. 118/03).

When it comes to harmonisation of the abovementioned regulations with EU regulations, we would like to emphasise that according to the current EU regulations the pension system is regulated at the level of individual member states. Majority EU countries are also facing reform and modernisation of their pension systems. At the 2001 Lihen Summit, the European Commission gave recommendation to its members to use so called “open coordination method” in the area of pension reform. This method implies that member states exchange lessons learned in the reform of their systems. It also determines guidelines, sets benchmarks, etc. and its overall objective is to coordinate pension systems of EU member states. This method should be applied in our pension system reform with the aim to use the experience of member states, which would ultimately lead to approximation to their pension systems.

Separate laws regulating specific issues in this area are also of importance for regulation of pension and disability insurance. Procedures for exercising rights in the system are implemented in accordance with the Law on Pension and Disability Insurance, but also in accordance with the Law on General Administrative Procedure (“Official Gazette of the FRY” No. 33/97 and 31/2001 и “Official Gazette of Serbia and Montenegro” No. 1/2003). Certain issues related to auditing of contributions are liaised with solutions set forth in the Law on Citizens Income Tax (“Official Gazette of the Republic of Serbia” No. 24/2001, 80/2002, 135/2004, 62/2006 and 65/2006). Law on the Budget System (“Official Gazette of the Republic of Serbia” No. 9/2002, 87/2002, 66/2005, 85/2006 and 86/2006) regulates preparation and endorsement of financial plan, accountancy, reporting, control and review of financial plans of the Republic Fund for Pension and Disability Insurance.

Although the abovementioned set of laws regulate the area of pension and disability insurance only to a certain extent, since it is not their primary area, it is necessary for them to be in accordance with the Law on Pension and Disability Insurance.

The Law on Voluntary Pension Funds and Pension Plans (“Official Gazette of the Republic of Serbia” No. 85/05) regulates the area of voluntary pension funds and pension plans. By-laws in the competence of the Ministry of Labour and Social Policy that are also in effect in this area are the following: Regulations on conditions and procedures for organisation and functioning of pension plans (“Official Gazette of the Republic of Serbia” No. 85/05) and Regulations on specific conditions for members of voluntary pension funds to exercise their rights to dispose with and withdraw accumulated funds before the age of 53 (“Official Gazette of the Republic of Serbia” No. 85/05).

3.19.6.1.1.2. Institutional Framework

Mandatory pension and disability insurance is in the jurisdiction of the Ministry of Labour and Social Policy and the Ministry of Finance (legislative role of both ministries).

The Law on Ministries, Article 15 (“Official Gazette of the Republic of Serbia” No. 48/07) envisages that the Ministry of Labour and Social Policy carries out public administration tasks related to the pension and disability insurance system, social insurance of military service insurants, as well as participation in drafting, concluding and enforcement of international agreements on social insurance.

The Ministry's Sector for Pension and Disability Insurance is a body competent to address these issues. The Sector has 12 members of staff (11 with university degree and 1 with high school degree)

The Ministry of Finance performs public administration tasks related to securing financing of the mandatory social insurance (including pension and disability insurance), budget control and auditing of organisations of mandatory social insurance (including the Republic Fund for Pension and Disability Insurance)

Provision and implementation of the pension and disability insurance is in the competence of the Republic Fund for Pension and Disability Insurance, which was set up on 1st January 2008 after merge of the Republic Fund for Pension and Disability Insurance of the Employed, the Republic Fund for Pension and Disability Insurance of Self-Employed People and the Republic Fund for Pension and Disability Insurance of Farmers. The Fund is a legal entity with the status of organisation for mandatory social insurance where rights related to pension and disability insurance are exercised and funds for this insurance being secured.

Institute of Social Insurance was established and has commenced its activities in 2007. In accordance with the Law on Ministries, Article 42, it performs professional and public administration tasks related to: implementation of international agreements on social insurance, drafting administrative contracts for implementation of international agreements on social insurance, preparation of bilingual forms for implementation of international agreements on social insurance, as well as other tasks envisaged by the law.

National Bank of Serbia supervises implementation of the Law on Voluntary Pension Funds and Pension Plans, keeps Registry of Voluntary Pension Funds and with the Ministry of Labour and Social Policy passes by-laws required for implementation of this law.

Voluntary pension funds are organised and managed by associations for management of voluntary pension funds, established exclusively as closed limited companies. There are seven management associations in Serbia (data from the first quarter of 2008).

Project "Consolidated Collection and Pension Administration Reform in Serbia" has been implemented since 2006 and funded from the World Bank loan in amount of \$ 25 million. The project objective is consolidation of the mandatory pension and disability insurance system, enhancement of pension administration, setting up the Central Registry i.e. unique data base on insurants and beneficiaries and development of the system of voluntary pension funds and pension plans (European Partnership priority). Main actors in this project are the Council for Pension Insurance System Reform, i.e. the Ministry of Labour and Social Policy and the Ministry of Finance, with direct engagement of representatives of other institutions (pension and disability insurance funds, Tax Administration, Institute of Health Insurance, National Bank, etc.).

3.19.6.1.1. Short-Term Priorities (2008-2009)

3.19.6.1.1.1. Legislation

Working group for preparing the Draft Law on Amendments to the Law on Pension and Disability Insurance has been established. The law should be passed by the end of 2008. In addition to technical amendments and improvements in the area of applicability of regulations, most important amendments relate to: regulating the issue of pension and disability insurance of military service insurants and inclusion thereof into the unique pension system; defining the optimal method for harmonisation of pensions. Expert assistance in preparation of this Draft Law is not required.

Responsible institution: the Ministry of Labour and Social Policy.

According to the plan of the Ministry of Labour and Social Policy, Republic of Serbia will sign the agreement on social insurance with Canada in 2008 and with Turkey, Greece and the Kingdom of Sweden in 2009.

3.19.6.1.1.2. Institutions

Capacity building in the Ministry of Labour and Social Policy and in other line institution will be achieved through further specialisation of employees and procurement of equipment with the aim to monitor developments in the pension system and international experiences, proposing measures for enhancement of the system and drafting possible amendments to by-laws in accordance with developments in the pension system and economic situation in Serbia.

3.19.6.1.2. Medium-Term Priorities (2010-2011)

3.19.6.1.2.1. Legislation

Legal regulations need to be harmonised with the progress in setting up the central registry of insurants and beneficiaries. Furthermore, having in mind that the pension system reform process is still ongoing, it is assumed that amendments to laws and by-laws in accordance with plans for further reform steps will be required.

3.19.6.1.2.2. Institutions

Drafting and adoption of the Strategy for Sustainable Development of the Pension System is planned. Completion of financial consolidation of the Fund for Pension and Disability Insurance is envisaged for 1st January 2011. Capacity building of the Fund will be implemented through specialisation of personnel and procurement of equipment aimed at enhancement of efficiency in resolving requests of clients and fund's functioning in general. Start up of the Central registry on insurants and beneficiaries is also planned.

Capacity building according to the following time-scale:

Institution Name	Existing or Planned	Current Number of Employees		Planned Number of Employees per year				
				2008	2009	2010	2011	2012
Ministry of Labour and Social Policy – Sector for Pension and Disability Insurance (public servants engaged on international cooperation and EU integration)	Existing	Total	3	3	4	4	5	5

Republic Fund for Pension and Disability Insurance (employees engaged on international cooperation and EU integration)	Existing	Total	60	60	60	65	65	65
Institute of Social Insurance (public servants engaged on international cooperation and EU integration)	Existing	Total	6	6	8	9	11	12
Total:			69	69	72	78	81	82

3.19.6.2. Health Insurance

3.19.6.2.1. Current Situation

3.19.6.2.1.1. Legal Framework

Law on Health Insurance (“Official Gazette of the Republic of Serbia” No. 107/05 and 109/05) was put in effect in January 2006 commencing the health insurance reform. Health insurance reform was continued with the adoption of the set of by-laws for implementation of this law and its continuity will be maintained in the forthcoming period (European Partnership priority). Health insurance is realised in the Republic Fund for Health Insurance which is organised in branch offices (28 in total), local offices (179 in total) and outposts (total of 5). Mandatory health insurance includes insurance in case of illness and injuries not related to work and insurance in case of injuries at work or occupational illness.

Contributions for mandatory health insurance of the most vulnerable groups of the insured are paid from the Budget of the Republic of Serbia. New Law on Health Insurance defined the minimum set of health services covered by the mandatory health insurance (right to health protection, right to compensation of incomes during temporary inability to work (sick leave) and right to reimbursement of travel costs related to the use of health protection). In case of temporary inability to work due to injury at work and occupational illness, compensation of incomes equals to 100% of income compensation basis (obligation ensuing from international conventions on labour) and is paid by the employer. Moreover, the Law introduces the possibility of organisation and implementation of voluntary health insurance by the Republic Institute of Health Insurance, legal entities dealing in insurance and investment funds.

3.19.6.2.1.2. Institutional Framework

There are 346 employees working in the Ministry of Health (university degree – 247, college degree – 84 and high school degree – 15). Employment of additional 96 workers is planned by the end of 2008. Republic Institute of Health Insurance employs 2,007 workers on full-time basis (university degree – 717, college degree – 262, fifth education level – 4, high school degree – 939, vocational education (3rd level) – 23 and primary school education – 62) and employment of 666 more workers is

planned in the forthcoming period (university degree – 345, college degree – 35, fifth education level – 42, high school degree – 227 and primary school education – 17).

There are 330 public health institutions in Serbia as envisaged in the Directive in the Plan for Health Institutions Network. According to 2006 data, public health institutions employ a total of 108,975 workers, out of whom 81,661 health workers and 27,314 administrative and technical staff. The Ministry of Health opened a public tender during 2008 advertising job vacancies for one thousand health workers (300 medical doctors and 700 nurses), while another tender is planned by the end of 2008 for employment of one thousand health workers in public health institutions. Increasing the number of employees in the Ministry of Health, Republic Institute for Health Insurance and public health institutions will lead to improvement of implementation of laws applied in the area of health insurance and health care and will facilitate more quality provision of health services in the Republic of Serbia.

3.19.6.2.2. Short-Term Priorities (2008-2009)

3.19.6.2.2.1. Legislation

- Adoption of the Directive on Voluntary Health Insurance regulating conditions, methods and procedures in organisation, implementation and the type of voluntary health insurance.

Time-scale for adoption of the Directive is 4th quarter of 2008.

3.19.6.2.3. Medium-Term Priorities (2010-2011)

3.19.6.2.3.1. Legislation

Council Directive 96/29/Euratom of 13 May 1996 laying down basic safety standards for the protection of the health of workers and the general public against the dangers arising from ionizing radiation sets forth basic standards to be met during work with sources of ionising radiation, organising appropriate inspection body and appropriate protection during work with sources of ionising radiation, reporting and licensing of legal entities working with sources of ionising radiation.

Institute of Labour Medicine and Radiological Protection “Dr Dragomir Krajovic” performs control of meeting the conditions for safety and health at work related to sources of ionising radiation and through personal dosymetry, in accordance with by-laws passed for implementation of the Law on Protection from Ionising Radiation (“Official Gazette of the FRY” No. 46/96) and the Law on Safety and Health at Work (“Official Gazette of the Republic of Serbia” No. 101/05).

Regulations on previous and periodical medical examination of the employed on workplaces of increased risk (“Official Gazette of the Republic of Serbia” No. 120/07) adopted in accordance with the Law on Safety and Health at Work (“Official Gazette of the Republic of Serbia” No. 101/05) defines previous and periodical medical examination of the employed exposed to ionising radiation. Regulations have been harmonised with the abovementioned Directive to a certain extent, i.e. certain complaint procedures need to be defined. Law on Medications and Medical Aids (“Official Gazette of the Republic of Serbia” No. 84/04 and 85/05) prescribes an appropriate procedure for licensing for production and distribution of radiopharmaceutical medications. Regulations on methods and conditions for collecting, safekeeping, recording, storing, processing and disposing of radioactive waste material (“Official Gazette of the FRY” No. 9/99) also prescribes disposing of radioactive materials originating from medicine, hence also the radiopharmaceutical medications. Serbian Ministry of Environmental Protection prepared a Draft Law on Medical Waste Management which is currently in the parliamentary procedure. Articles 56 and 57 of the abovementioned Draft prescribe conditions for management of waste originating from health protection facilities, hence also the handling of radiopharmaceutical medications. The Law on Health Insurance (“Official Gazette of the Republic of Serbia” No. 107/05 and

109/05), Article 28, prescribes inter alia mandatory health insurance for students who are in accordance with the law on obligatory production work, professional practice or practical training in case of injury at work or occupational illness.

Other regulations of the Republic of Serbia covering the topic of the above mentioned Directive are: Regulations on limits of exposure to ionising radiation (“Official Gazette of the FRY” No. 32/98), Regulations on qualifications and health requirements for people working with sources of ionising radiation (“Official Gazette of the FRY” No. 45/97), Decision on records on sources of ionising radiation and irradiation of the citizens, patients and personnel exposed to ionising radiation at work (“Official Gazette of the FRY” No. 45/97), Regulations on conditions for distribution and use of radioactive materials, x-ray machines and other devices emitting ionising radiation (“Official Gazette of the FRY” No. 32/98).

Council Directive 92/29/EEC of 31 March 1992 on the minimum safety and health requirements for improved medical treatment on board vessels prescribes appropriate medical treatment of the crew at sea, i.e. standard for medical supplies on vessels. The Law on Sea and Inner Waterways Sailing (“Official Gazette of the FRY” No.12/98, 44/99, 74/99, 73/2000) and (“Official Gazette of the Republic of Serbia” No. 85/2005, 101/2005) regulates the safety of the sea and inner waterways sailing. Republic of Serbia endorsed obligation from the ratified Convention on the protection of human lives at sea with the Protocol. The Law on Health Protection (“Official Gazette of the Republic of Serbia” No. 107/05), Article 241, prescribes that the Republic Budget provides for health services provided to foreigners – crew members on foreign ships and vessels, suffering from venereal diseases and foreigners suffering from infectious diseases (variola, plague, cholera, malaria, etc.). Furthermore, according to the Law on Health Protection, health institutions and health workers are obliged to provide medical help to foreigners. Foreigners pay for provided medical help by themselves. However, if the health institution could not charge its fee from the foreigner, the compensation will be paid from the Republic Budget. Republic of Serbia does not have an exit to the sea; however development of river maritime traffic is planned in the future. Considering that the Republic of Serbia currently does not have registered ships and that new Maritime Law is planned, it would be most expedient to transpose this Direction into domestic legislation when the real necessity presents itself.

3.19.7. Discrimination prevention and equal opportunities

3.19.7.1. Current Situation

3.19.7.1.1. Legal Framework

Prohibition of discrimination in Serbia is still not regulated by a comprehensive law. Draft Law on Prohibition of Discrimination has been prepared and is currently in pre-adoption parliamentary procedure. This law will be a ‘connective tissue’ which will regulate protection against discrimination in a unique way and facilitate its successful implementation. Draft Law has in December 2007 received a very favourable opinion of the Council of Europe’s Venice Commission, who stated that the Draft is harmonised with international standards in this area and therefore represents an important step towards prohibition of discrimination. It is important to emphasise that this Draft Law is completely in accordance with the Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation and Council Directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin. Although there is no overarching law regulating this area, prohibition of discrimination is

regulated by the Constitution of the Republic of Serbia. In addition the Serbian Constitution, prevention of discrimination is regulated by a whole set of laws.

Criminal Code of the Republic of Serbia stipulates three criminal acts related to prohibition of discrimination. These are violation of equality (Article 128), violation of the right to use language and alphabet (Article 129) and racial and other kinds of discrimination (Article 387).

As regards to the measures of civil-legal protection, it is possible to start a civil procedure for damages on the basis of discrimination, but it's a long process and does not satisfy the urgent necessity for fast resolution of discrimination cases. Discrimination can be the basis for compensation of damage made. In this regard, general mode for compensation of damages defined by the Law of Obligations and enforced according to the Civil Procedure code can be one of instruments used in the civil procedure to prove liaison between discrimination and inflicted financial and non-financial damage. In addition to this general mode, certain laws envisage this form of protection in case of discrimination of certain groups of people, i.e. in case of discrimination in certain areas, while some also envisage a concrete procedure for compensation of damage with subsidiary enforcement of Civil Procedure Code provisions. Greatest deficiency related to civil-legal protection in Serbian legislation is the absence of provisions on transferring or sharing of burden proof in civil procedures, which have become a standard in modern anti-discriminatory legislation and will be amended and harmonised by the future overarching anti-discriminatory law.

Prohibition of discrimination in certain areas is regulated through a large number of regulations. In the area of health protection, the Law on Health Protection (2005) contains a provision pertaining to prohibition of discrimination. It is similar in the area of education, with the Law on University Education (2005) also contains a provision proscribing discrimination. In the area of labour and employment, provisions on prohibition of discrimination are included in the Law on Employment and Unemployment Insurance (2003), while as regards to media there are also few provisions in the Law on Public Informing (2003) and Law on Broadcasting (2002). Law on Free Access to Information of Public Importance (2004) also prohibits discrimination in exercising this freedom, while in the area of sports and sport events, the Law on Prevention of Violence and Offending Behaviour on Sport Events contains a number of provisions prohibiting discrimination.

Furthermore, prohibition of discrimination of ethnic minorities has to an extent been regulated by the Law on Protection of Rights and Freedoms of National Minorities (2002) prohibiting any form of discrimination of national minorities on national, ethnic, racial or language basis. Prohibition of discrimination on religious basis has partially been defined in the Law on Churches and Religious Communities (2006). Prohibition of discrimination of people with disabilities has been comprehensively regulated with the adoption of the Law on Prevention of Discrimination against People with Disabilities (2006). Prohibition of discrimination of people seeking employment and the employed has to an extent been regulated by the Labour Law (2005), which has a separate chapter pertaining to prohibition of discrimination of people seeking employment and the employed people. Prohibition of discrimination of patients has been covered to an extent by the Law on Health Protection (2005), while prohibition of discrimination of people sentenced for criminal charges has been partially defined in the Law on Implementation of Criminal Sanctions (2005). Prohibition of discrimination of children and minors is to an extent regulated by the Family Law (2005), General Law on Education and Upbringing (2003) and the Law on Juvenile Offenders and Legal Protection of Minors (2005). Prohibition of gender discrimination is partially regulated by the Law on Employment and Unemployment Insurance (2003), etc.

Certain laws also have provisions pertaining to affirmative action. These are above all election laws or for example the Law on Employment and Unemployment Insurance. Hence Article 8 of this law prescribes that the implementation thereof as well as implementation of other by-laws and regulations of the National Employment Service guarantees the person seeking employment equal access to jobs and employment, irrespective of race, skin colour, nationality, ethnic origin, language, religious, political

and other beliefs, social status, financial status, marital status, family responsibilities, age, engagement in trade unions, association or political organisations or any other circumstance that can be used as grounds for discrimination, i.e. unequal treatment of individuals with differences which are not of importance for the workplace requirements. Equal access to employment for men and women is also guaranteed. Special protection of certain groups (people with disabilities, minors, elderly people) is in accordance with the principle defined in the Para 1 of this Article.

In regard to affirmative action measures, it should be emphasised that some measures have been envisaged in by-laws (e.g. GoS conclusion on increasing participation of national minorities in public administration bodies), while in some cases their implementation is suggested in political acts (e.g. Strategy for Integration and Empowerment of Roma or GoS Action Plan for the Roma Decade).

Republic of Serbia established a separate system for prevention of discrimination against people with disabilities. In addition to Article 21 of the Constitution of the Republic of Serbia, which proscribes any form of discrimination, and in particular on the basis of mental and physical disability, adoption of the Law on Prevention of Discrimination against People with Disabilities passed on 17th April 2006 defines the general mode for prohibition of discrimination on disability basis, special cases of discrimination against people with disabilities, procedures for protection of discriminated people and measures for stimulation of equality and social inclusion of people with disabilities, as well as sanctions for prohibited discrimination acts. Law on Prevention of Discrimination against People with Disabilities has been harmonised with the following EU regulations:

- Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation.
- Council Directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin
- Practice of the European Court in enforcement of the Article 14 of the European Convention on Human Rights and its Five Protocols in regard to prevention of discrimination.

Serbian Government has on its session held on 28th December 2007 adopted the Strategy for Improvement of the Position of People with Disabilities in the Republic of Serbia. The strategy represents the medium-term plan of activities of all social stakeholders in the Republic, strengthening the foundations of the civil society that Serbia is striving for. Implementation success of this strategic goal will also be evaluated through the level of achieving objectives set forth in this Strategy. Strategy objectives have been set for the period 2007-2015, while the action plans for implementation thereof are adopted to the two-year period. Foundations for preparation of the Strategy were the solutions proclaimed in adopted domestic and international documents, according to which the issues of treatment of people with disabilities are not defined as a segment of social policy, but rather as respect for human rights.

Republic of Serbia signed the Convention on the Rights of People with Disabilities and the Optional Protocol to the Convention on the Rights of People with Disabilities – endorsed at the 61st Session of the UN General Assembly – at the session held on 13th December 2006 in New York. After its ratification in the National Assembly, this document will represent an integral part of Serbian domestic legislation.

The issue of protection and improvement of the position of people with disabilities is regulated by the following legal acts: Law on Social Protection and Social Security of Citizens (“Official Gazette of the Republic of Serbia” No. 36/91, 33/93, 67/93, 46/94, 52/96, 29/2001, 84/2004 and 115/2005), defining the right on increased benefits for home assistance and care and it can be exercised by people with a 100% physical disability; Law on Benefits in Domestic Transportation for People with Disabilities (“Official Gazette of the Republic of Serbia” No. 22/93 and 25/93), defining the right to benefits in domestic transportation and the scope thereof; Labour Law (“Official Gazette of the Republic of Serbia” No. 24/2005 and 61/2005), prohibiting discrimination against people with disabilities related to labour and labour relations and defining special cases thereof; Law on Amendments to the Law on

Planning and Construction (“Official Gazette of the Republic of Serbia” No. 47/2003 and 34/2006), defining the obligation of investors building facilities of common interest to enable access to people with disabilities in accordance with the access standards, as well as the sanctions for violation of the abovementioned regulation; Law on Public Reads (“Official Gazette of the Republic of Serbia” No. 101/2005 and 123/2007), defining the right to exemption from paying the annual fee for utilisation of roads paid through the vehicle registration, as well as exemption from paying toll for people with disabilities and organisations of people with disabilities possessing a car or a van; and the Law on Pension and Disability Insurance (“Official Gazette of the Republic of Serbia” No. 34/2003 and 85/2005).

Constitution of the Republic of Serbia of November 2006 guarantees equality of citizens before the constitution and laws; proscribes any form of discrimination, direct or indirect, on any basis, including gender. Provisions of the Labour Law (“Official Gazette of the Republic of Serbia” No. 24/2005 and 61/2005) and the Law on Employment and Unemployment Insurance (“Official Gazette of the Republic of Serbia” No. 71/2003 and 84/2004) provide a basis for prevention of discriminations in all phases of employment and unemployment insurance.

Draft Law on Gender Equality guarantees gender equality, namely: equal wages for the same job or work of the same value with the employer, principle of equal treatment in regard to access to employment, professional training, promotion in the work process and work conditions, no discrimination on the basis of marital or family status. Violation of the equal treatment principle enables addressing the competent authorities and courts and compensation of damage, and the burden of proof of direct or indirect discrimination is transferred to the perpetrator. Measures of affirmative action to be implemented in both public and private sector encourage presence of women in professions where their number is negligible and in positions implying decision making. The Law will facilitate raising awareness of the general public and elimination of prejudices on capabilities of genders, which will have a direct impact on reduction of violence against women.

Draft Law on Gender Equality is harmonised with the EU legislation. The law is put in accordance with the following European Community regulations:

Articles 2, 3, 13, 137 and 141 of the EC Agreement

1. Council Directive 97/80/EC of 15 December 1997 on the burden of proof in cases of discrimination based on sex
2. Council Directive 2004/113/EC of 13 December 2004 implementing the principle of equal treatment between women and men in the access to and supply of goods and services
3. Directive 2006/54/EC of the European Parliament and of the Council of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation.
4. Council recommendation 84/635/EEC of 13 December 1984 on the promotion of positive action for women
5. Council Recommendation 96/694/EC of 2 December 1996 on the balanced participation of women and men in the decision-making process.
6. Second Council Resolution of 24 July 1986 on the promotion of equal opportunities for women
7. Council resolution of 27 March 1995 on the balanced participation of women and men in decision-making.
8. Resolution of the Council and of the Ministers for Employment and Social Policy, meeting within the Council of 29 June 2000 on the balanced participation of women and men in family and working life
9. Resolution of the Council and the representatives of the Governments of the Member States, meeting within the Council of 5 October 1995 on the image of women and men portrayed in advertising and the media.

10. Special Report No 22/98 concerning the management by the Commission of the implementation of measures to promote equal opportunities for women and men accompanied by the replies of the Commission

There are separate laws regulating sectoral issues which are of importance for the gender equality issue, such as Labour Law (“Official Gazette of the Republic of Serbia” No. 24/2005 and 61/2005) and Law on Employment and Unemployment Insurance (“Official Gazette of the Republic of Serbia” No. 71/2003 and 84/2004). Although these laws regulate the gender equality issue only to a certain extent, since this is not their primary legal area, they should be in accordance with the planned Law on Gender Equality.

3.19.7.1.2. Institutional Framework

The Ministry of Labour and Social Policy, Sector for Protection of Persons with Disabilities, pursuant to the Internal instruction on allocation of funds raised by Law on Games of Chance to organizations of disabled persons and other social and charity organizations, provides them with financial and advisory assistance through direct cooperation with nearly 500 of them, thus contributing to improvement of disabled persons’ status. By Law on Games of Chance, 20% of lottery funds is intended for financing of social and charity organizations. By Law on Budgetary System, these funds are distributed into two budgetary funds from which funds are allocated on implementation of programme and project activities of organizations and associations. Programme activities are financed on a monthly basis, based on the Annual Financial Plans that the organizations submit each December for the following year. Project activities are financed on the basis of public call for financing projects that aim at improvement of disabled persons’ status, made by the ministry each year. The call cycle lasts between 9 and 11 months, depending on set priorities.

Upon the initiative of the Sector for Protection of Persons with Disabilities, the Government set up a Council for Disabled Persons, with Decision 05 no. 110-6141/2007 from 4 October 2007. The Council, as an occasional working body of the Government, has got twenty members and a chair person. The members are representatives of NGOs, disabled persons, and those from line ministries. Setting up the Council for Disabled Persons as an expert and advisory body of the Serbian Government has a great significance for dealing with issues of social and economic position of disabled persons and for launching initiatives to (1) coordinate regulation adoption with the relevant state institutions, (2) implement legal and other regulations on protection of disabled persons, (3) adopt international acts on protection of disabled persons and (4) establish and exercise cooperation with governmental and non-governmental organizations dealing with protection of disabled persons.

The tasks of the Council for Disabled Persons are: to initialize actions for harmonization of RS Government’s policy in areas pertaining disabled persons; initialize adoption of measures for building a comprehensive and coherent policy for disabled persons; define recommendations for acquiring important social indicators in the area of care for disabled persons as a pre-requisite for European integration; propose policies of disabled persons’ exercising rights in accordance with the UN Standard Rules for equal opportunities given to disabled persons; analyze the impact of actions taken by the relevant agencies for disabled persons; monitor implementation and protect the rights of disabled persons in our country, consider other issues related to improvement of position and exercising rights of disabled countries in our society.

Within the Ministry of Labour and Social Policy there is the Sector for Population Policy, which, *inter alia*, deals with: (1) analysis of state of play and proposal of measures to improve the general quality of life and family, especially for vulnerable and not sufficiently integrated groups of population, (2) improvement of social inclusion and promotion of anti-discriminatory policy, (3) monitoring the state of play and taking adequate actions for integration of IDP families, returnees by readmission agreements, labour migrants, Roma population, human trafficking victims, persons cured from addiction

diseases, persons infected with HIV/AIDS, former convicts and other marginalized social groups and (4) preparation of laws and other regulations and strategic papers in the area of population policy and family planning, social inclusion and anti-discriminatory policy.

The area of gender equality is under the competences of the Ministry of Labour and Social Policy. The Ministry is in charge of providing protection from violation of gender equality, defined by the Government. In accordance with Article 15 of the Law on Ministries (“Official Gazette of the Republic of Serbia” No. 43/2007), The Ministry of Labour and Social Policy deals with the affairs of public administration related to gender equality. Within the Ministry, gender equality is under the competences of the Sector for Gender Equality, consisting of three civil servants and one employee. The Sector was set up in July 2007, and before that the Ministry had one civil servant actively participating in the work of the Council for Gender Equality, the Government’s body.

3.19.7.2. Short-Term Priorities (2008-2009)

3.19.7.2.1. Legislation

Adoption of the Law on Prohibition of Discrimination in quarter III of 2008

The responsible institution: the Ministry of Labour and Social Policy.

The adoption of the Law on Blind Person’s Movement with Guide Dogs and the Law on Gesture Language by the end of 2008. The Law on Blind Person’s Movement with Guide Dogs would provide unhindered movement of these persons in everyday life, as well as the possibility of unhindered use of public transportation, entrance to the institutions providing services and other issues relevant for exercising this right. The Law on Gesture Language will regulate the issue of use of gesture language and its standardization, which would go parallelly with drafting this law.

The responsible institution: Ministry of Labour and Social Policy.

The point 8. of the Strategy for improving the status of disabled persons in the Republic of Serbia for the period 2007-2015 identified the commitment to draft two-year action plans and define specific actions the implementation of which will achieve the goals defined by this document in order to improve the status of disabled persons in all segments of life. The Government has received a proposed Action Plan for Implementation of the Strategy for Improvement of Disabled Person’s Status in the Republic of Serbia (2008-2009).

Adoption of the Law on Gender Equality: the Ministry of Labour and Social Policy set up a task force to draft this law. It is planned for the Government to adopt it in the third quarter of 2008, and the Parliament in the second quarter of 2009. The harmonization with the EU standards will be complete and the competences of the Ministry regarded protection from injuries and gender equality will be enlarged.

By-laws will be drafted in order to provide even procedures of bodies and individuals. Expert assistance in drafting these acts is not envisaged.

The responsible institution is the Ministry of labour and social policy.

3.19.7.2.2. Institutions

Capacities of the Sector for improvement of disabled persons’ status within the Ministry of Labour and Social Policy will be strengthened by further training of the staff and purchase of equipment, in order to improve the position of disabled persons and by proposing actions for further improvement of their position in the community and preparation of potential amendments to the Law and by-laws. Capacities of the Sector for gender equality will be strengthened by training of the staff, in order to

provide monitoring and proposing actions for improvement of the gender equality policy. By the end of 2009, it is planned to recruit eight more staff.

3.19.7.3. Medium-Term Priorities (2010-2011)

3.19.7.3.1. Legislation

To draft the Law on Register of Disabled Persons in Serbia, as a necessary pre-requisite for completion of a single database on disabled persons, envisaging the method of data collection and the conditions of their use.

The responsible institution: the Ministry of Labour and Social Policy.

Also, the point 8. of the Strategy for improving the status of disabled persons in the Republic of Serbia for the period 2007-2015 defines the obligation of drafting two-year action plans and specific actions the implementation of which will achieve the goals set by this document in order to improve the status of disabled persons in all segments of life. In those terms, the Government will receive a proposed Action Plan for implementation of the Strategy for Improving the Status of Disabled Persons in the Republic of Serbia (2009-2011).

To analyse conformity of other laws regulating the issues of importance for gender equality. Special emphasis should be placed on the regulations in the area of women's and disabled persons' employment, and other groups discriminated against in manifold ways.

3.19.7.3.2. Institutions

Capacity building according to the following time-scale:

Institution Name	Existing or Planned	Current Number of Employees	Planned Number of Employees per year					
			2008	2009	2010	2011	2012	
Ministry of Labour and Social Policy – Sector for Protection of People with Disabilities	Existing	Total	9	9	11	11	11	11
	Existing	NP Group	3	3	4	4	4	4
	Existing	Group for improving the position of people with disabilities	5	5	6	6	6	6
Serbian Government – Team for Implementation of the Strategy for Improving the Position of People with Disabilities	Planned	Total	-	-	7	7	7	7

Ministry of Labour and Social Policy – Sector for Gender Equality	Existing	Total						
Department for Human and Minority Rights	Existing	Total						
Total:								

3.19.8. Cooperation in the area of Social Policy and Employment

3.19.8.1. Current Situation

3.19.8.1.1. Legal Framework

The Republic of Serbia signed the Revised European Social Charter (RESP) on March 22, 2005. Aiming at complying with the remaining obligations that emanate from Serbia’s membership in the Council of Europe (priority from the European Partnership), in the first quarter of 2008 the Ministry of Labour and Social Policy has prepared Draft Law on Ratifying the Revised European Social Charter of the Council of Europe. The adoption of the Law is expected to take place in the fourth quarter of 2008. Since RESP is an international document complementary with the European Convention on Human Rights, which is one of the human rights protection instruments of the European Union, by ratification of RESP the Republic of Serbia will complete its preparations for the commitments that will ensue after assuming full membership.

In accordance with Article 101, Chapter VIII – Cooperation Policy – of the Stabilization and Association Agreement between the EC and RS, the Republic of Serbia joined the Programme of Employment and Social Solidarity of the EC, “PROGRESS” (hereinafter: the Programme). The Memorandum of Understanding between the EC and RS on Serbia’s participation in the Programme was signed by the European Commissioner for Employment, Social Policy and Equal Opportunities Vladimir Spidla and Serbia’s Minister of Labour and Social Policy Rasim Ljajic. The institutions that coordinate Serbia’s participation in this Programme are the Ministry of Labour and Social Policy and the Ministry of Economy and Regional Development.

In accordance with the obligations emanating from Serbia’s membership in the International Labour Organisation (ILO), the Ministry of Labour and Social Policy submitted in 2007 the reports on all 30 ILO conventions required for that year. For the year 2008 it is expected to submit reports on 14 conventions. The Ministry of Labour and Social Policy launched a procedure for ratification of two ILO’s conventions in late 2007: The Convention 167 on Safety and Health in Construction Works and the Convention 187 on Promotion Framework for Safety and Security at Work. Besides, in February 2008, the Ministry launched a procedure to ratify the ILO Convention 183 with the Recommendation 191 on Protection of Maternity. Ratification of these three conventions is expected to take place by the end of 2008.

3.19.8.1.2. Institutional Framework

Within the promotion of the “Progress” Programme in Serbia, the Ministry of Labour and Social Policy and EU Integration Office of the Serbian Government organised a seminar on the participation in this Programme. The seminar held on 22nd and 23rd November 2007 in Belgrade was attended by about 50 representatives of public administration, social stakeholders and NGOs.

The Ministry of Labour and Social Policy has in 2003 initiated cooperation with the ILO Training Centre in Turin. Between September 2003 and April 2008, 12 public servants from the Ministry participated in trainings in the Centre. Training topics were the implementation of standards set forth in ILO conventions, gender equality and combating against discrimination, protection of people with disabilities, social dialogue, etc. International Labour Organisation has in December 2007 appointed the ILO National Coordinator for Serbia.

3.19.8.2. Short-Term Priorities (2008-2009)

3.19.8.2.1. Legislation

Adoption of laws on ratification of the Revised European Social Charter of the Council of Europe in the forth quarter of 2008.

Responsible institution: Ministry of Labour and Social Policy.

In the second quarter of 2008, the Ministry will commence preparation of the national version of EU legislation in the area of labour and social policy.

3.19.8.2.2. Institutions

In the course of participation of the Republic of Serbia in the “Progress” Programme, a number of seminars will be held in 2008 and 2009, as well as a number of specialised workshops on drafting project proposals for public administration representatives, social stakeholders and NGOs.

3.19.8.3. Medium-Term Priorities (2010-2011)

3.19.8.3.1. Legislation

Ministry of Labour and Social Policy will continue with the preparation of annual reports on implementation of ILO conventions in Serbia.

3.19.8.3.2. Institutions

Capacity building according to the following time-scale:

Institution Name	Existing or Planned	Current Number of Employees		Planned Number of Employees per year				
				2008	2009	2010	2011	2012
Ministry of Labour and Social Policy – Sector for International Cooperation and EU Integration	Existing	Total	6	7	9	11	13	15

3.18. Statistics

Table 1. Recruitment needs of state institution

Name of Institution	Indicate whether the institution already exists or it is planned	Current number of employees	<i>Planned (total) number of employees (per year)</i>				
			2008	2009	2010	2011	2012
Statistical Office of the Republic of Serbia	Existing	537	562	633	658	680	692
National Bank of Serbia*	Existing	13	13	14	16	16	16
Total		550	575	647	674	696	708

* Recruitment of new staff is not planned, but rather the increase in the number of employees on the basis of the present staff reorganization, and there will be no additional expenditures in that respect.

Table 2a. Statistical Office of the Republic of Serbia budget (table for national financing)

	у динарима				
	у 2008	у 2009	у 2010	у 2011	у 2012
Activities (policy)					

Institution building (rooms, staff, equipment...)	17 560 000	64 120 400	72 280 000	74 422 800	89 938 800
Infrastructure (roads, railways...)					

Costs for newly employed staff (first year of employment (equipping working place and salaries) and the next year (only salaries))

3.20. ENTREPRENURIAL AND INDUSTRIAL POLICY

Basic goals of industrial policy shall be enhancement of production and imports through more efficient use of the existing resources, opening new companies in this area, as well as boosting productivity and competitiveness of Serbian industry.

It is necessary to take techno-economic performance of incorporated companies of industrial sector to the next level, if sustainable growth is to be achieved. Introduction of modern innovative and technologically intensive programs to the fullest extent possible can only be realized through the transfer of international technology by the means of bonding and cooperation with the strategic investors, manufacturing cooperation and shared investments.

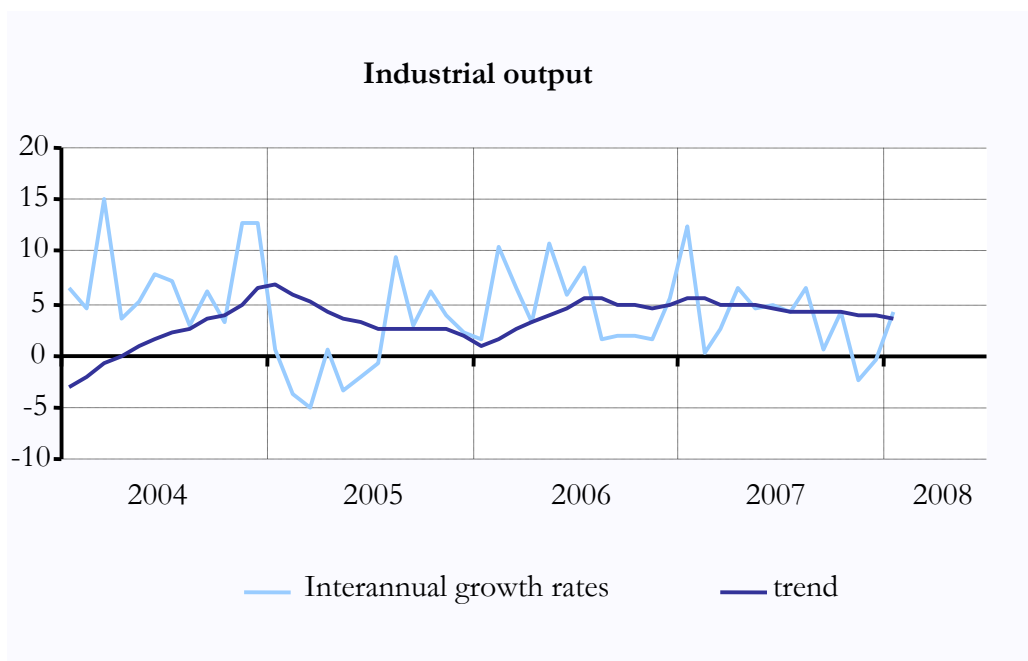
Basic goal of small and medium businesses is to develop entrepreneurial economy, based on knowledge and innovative solutions of powerful, competitive and export-oriented sector of small and medium businesses. For achieving this goal, taken measures shall be concentrated on providing greater support to entrepreneurship when it comes to opening new businesses, advanced training of human resources in this sector, upgrading the efficiency of financial and taxation systems, strengthening the competition in small and medium enterprises (SMEs) sector and internalization of business and upgrading the legal framework and environment for trading in the SMEs sector.

3.20.1. Industrial strategy

1. Current state of affairs

Industrial production is increasing in the last several years, according to the appropriations from the Economic development Strategy 2006-2012.

Branches of industrial production have great need for reorganization and reforms. What Industry of Republic of Serbia needs the most is working capital. Field of industry is over indebted, while most branches are in the gray and critical area.



In accordance with the afore mentioned, basic characteristics of Republic of Serbia's industrial policy are set forth: completion of process of privatization, enhancing the competitiveness of Serbian economy, upgrading business environment, increased investments (both domestic and foreign), finding new basis for the structure of industrial production, as well as promotion of Small and Medium enterprises and promotion of entrepreneurship in general.

1.1. Strategic documents

First developmental document, put forward by the Government of Serbia (2006.) and fully defining the basic developmental priorities of the country while respecting the standards of the European Union, is National strategy of Economic Development of Republic of Serbia for period 2006.-2012. This strategy contains industrial policy of Republic of Serbia with its basic characteristics. National strategy of Economic Development of Republic of Serbia for period 2006.-2012 shall be administered through the Action plan drafted by the Government in 2006. Basic postulates of the Action plan which includes vertical and horizontal dimension of Serbian industrial policy are:

- Completion of process of privatization of enterprises with socially-owned capital no later than 2009. as well as providing legal and economic (market) conditons for privatization of enterprises with state-owned capital (public enterprises) no later than 2008. ;
- Reorganization, privatization or shutting down of large economic systems no later than 2009, as well as finding new resources and creating new working places in the areas of large systems;
- Establishing ownership structure which shall enable postprivatizational reorganization and efficiency of the enterprises;
- No later than 2012., all manufacturing and service systems strategically important for Republic of Serbia are to function with innovative, dynamic and import-oriented clusters
- Not later than 2012. industrial and technological parks in Serbia are to be put into function;
- Sustainable and rapid insreasing of exports (rate of 15% - 17%). Changing exports structure i.e. increasing the amount of products with added value per employee (emerging industries). Increasing exports of services. Speeding up the internalization of domestic entrepreneurial sector, including domestic investments abroad.
- Enhancement of internationally competitive industrial resources and capacities for modern production and supplying the contemporary markets;
- Decrease in state aid share in GDP and changing the current structure in favor of horizontal aid form;
- Bringing into accord domestic and the EU standards and technical regulations (detailed account shall be given in the appendix for NPI, within the Group for free movement of goods;

Strategy of National Development envisages establishment of goals and measures for increasing the competitiveness of Serbian economy according to the methodology used in supervision of application of Lisbon strategy through focusing on three crucial dimensions – economical, social and sustainable growth dimension.

In 2007 Serbian Government also brought forward the Strategy of Regional Development for the period 2007 – 2012. which represents the first strategic developmental document in the field of regional development which fully defines basic strategic priorities of regional development of the country and means of their realizations in the following years. Drafting and application of the Strategy was necessary because of the pro-European orientation of Republic of Serbia and in order for us to show that, by the

means of argument able and transparent approach, we dispose with complete domestic regional strategy which takes into account all regional peculiarities and regional development potentials, while respecting the European standards in this area.

In 2005 the Government also enforced the National employment strategy for period 2005 – 2010, which defines the extent and course of action to be taken in order to solve problems in expedient manner, while also developing efficient labor market in accordance with other developing goals of the country. Basic general principles and goals adopted as the starting point for this document originate from the European employment strategy, bearing in mind strategical commitment and appropriation of our country for joining the European Union.

Structural changes in Economy of Serbia 2005-2012.

	2000	2005	2012
Food products, liquor and tobacco	28,7	31,9	31,3
Textile and textile products	9,5	4,1	3,7
Hide and hide products	1,6	1,1	1,1
Wood processing	1,1	1,0	0,5
Paper and publishing	4,9	5,7	4,9
Coke and oil (petroleum) derivatives	1,5	4,7	4,0
Chemistry	12,6	12,3	12,7
Rubber and plastics	4,8	4,4	5,0
non-metalic mineral products	7,3	5,2	4,8
Merals	11,9	12,7	12,0
Machines and devices	4,1	6,7	8,0
Electrical and optical devices	3,9	4,3	5,0
Traffic and transportation accessories	5,1	3,6	5,0
Rest of the industry	2,8	2,3	2,0

1.2. Institutions

Definition and application of industrial policy fall under the jurisdiction of Ministry of Economy and Regional growth, which forwards the proposals and suggestions in the field of industrial policy to the Government. The Ministry is acting on its own accord or in cooperation with other Ministries and bodies. Sector for industrial growth projects management operates within this Ministry and it is responsible for defining the industrial policy. The Sector has 12 employees divided among three other bodies: Department for industrial growth projects management, Group for industrial policy projects management and Group for special programs of economic subjects development.

2. Short-term priorities

2.1 Strategic documents

All programs of state aid which are currently in force in the Republic of Serbia must be brought in accord with corresponding programs in EU. Also, new forms of rendering state aid yet to be enforced shall be brought in accord with those defined by the European Union legislation.

2.2 Institutions

It is essential that Ministry of Economy and Regional Growth's Sector for industrial growth projects management should be provided with correspondence translator with an excellent command of English language as soon as possible.

3. Mid-term priorities

Mid-term priorities include increasing of export capacity of domestic industry which shall be provided through development of high technologies, especially in the field of chemical and pharmaceutical industry, informational and communicational sector and electronic and food industry and alike. Special attention is to be paid to development of processing industry which stagnated for the last two decades.

3.1. Strategic documents

Mid-term priorities are as follows:

- Enforcing strategy for increasing economic competitiveness.

3.20.2. Privatization and restructuring

1. Current state of affairs

Privatization in Serbia so far has been working out according to two models; first one is model of free shares distribution among employees and former employees after the citizens have exercised their right to free shares. Basic legislature behind this model was covered by the Law on ownership transformation („The Official Gazette RS“, no.32/97 and 10/01). Application of this model of privatization means that socially-owned capital is only partly privatized, with capital structure being divided as follows: 60% belonged to the employees and 40% to the Share fund. This model of privatization was in force until June 2001, when Law on Privatization came into force („The Official Gazette RS“, no. 38/01,18/03,45/05 и 123/07), meaning the new model of privatization was beginning to apply. It should also be noted that application of the new Law on privatization did not put in question enforcement of privatization according to the previous Law, thus providing legal safety for privatization participants.

Law on Privatization introduced model of complete and one-time-only privatization according to which the buyer of socially-owned capital gets 70%, while 30 % of socially-owned capital goes to employees and former employees in the form of free shares. According to this model, privatization subject's socially-owned capital is sold in one piece, thus avoiding the problem of partial privatization and delayed privatization, so that the overall time of privatization is now shortened and positive effects on privatization subject and economic growth in general are achieved as soon as possible.

In the period of 2002.-2008, till 15.3. 2008, total of 2.157 enterprises were privatized. 1.558 enterprises together with 144.206 employees were sold in auctions. Total revenue from these sales amounted to 1.057 billion euros with mandatory investments amounting to 220 million euros.

In this period the total of 89 large enterprises with 78.572 employees were sold via tender sales. Total revenue from these sales amounted to 1.127 billion euros with mandatory investments amounting to 981 million euros.

When it comes to capital market it should also be mentioned that procedure of rapid share selling from the Share fund portfolio and withdrawal of state's investment in private sector's capital were continued, meaning that 510 enterprises sold their minority shareholder's packages that were never offered on the market before. Total revenue from these sales amounted to 511 million euros.

679 share packages of enterprises whose packages in the Share fund were partially sold beforehand were also sold, with total revenue amounting to 2.8 million euros.

Privatization of state and socially-owned enterprises makes conditions for:

- enhancement of efficiency of domestic economy based on the rational combinations of production factors (working labor and production resources), their rational use and enhancement of productivity of both production factors;
- modernization of economy based on the increase of investments in new production technologies via increase in accumulation of profits and foreign capital inflow and
- long-term production and productive employment growth.

All of this should enable the rise of new competitive economic structure which shall be able take part in international trade of goods and services in expedient and efficient manner.

Law on revisions and amendments of the Law on Privatization (“The Official Gazette RS“, no.123/07), which came into force on December 26. 2007., propels and intensifies privatization procedure, through establishing set of new decisions: Privatization of all enterprises with socially-owned capital is to be completed no later than December 31.2008.; subject of privatization is to be forcefully liquidated if privatization is not completed after the third public tender or auction; subject of privatization with minority shareholder’s capital transfers 70% of that capital to the Share fund, while 30% of the capital belongs to the employees; origin of capital used for enterprise purchasing is to be verified and controlled...etc.

In connection with the afore mentioned, Law on right of obtaining free shares and money refund in the privatization procedure („The Official Gazette RS“, no. 123/07), has come into force, thus making conditions for obtaining free shares for approximately 4 million citizens who haven’t used that right in the process of privatizations so far. It has been foreseen that in the period of no longer than 6 months after the market price of shares had been set, and no later than December 31.2010. године, citizens should be allowed to bring their shares to the market for sale.

In connection to the capital market, procedure of rapid share selling from the Share fund portfolio and withdrawal of state’s investment in private sector’s capital is continued, meaning that 510 enterprises sold their minority shareholder’s packages that were never offered on the market before, making the total revenue of 511 million euros. Also, 679 share packages of enterprises whose packages in the Share fund were partially sold beforehand were also sold, with total revenue amounting to 2.8 million euros.

Thus we can conclude that privatizations takes very important place in all economic areas of Republic of Serbia and that privatizations is not its under way for its own sake, but rather necessary condition of improvement of economy’s efficiency and growth of investments and employment in Serbia.

2. Short-term priorities

Along with the privatization of all socially owned capital, the plan is to complete the restructuring of socially-owned large enterprises in order for them to become privatized through reorganization and status changes (decomposition of large and inefficient systems, separation of primary and secondary activities), and through solving the staff surplus issues and obligations of these enterprises that exceed the value of their property. Preparations for privatization of these enterprises is followed by encompassing social programs for staff surplus. Programs of restructuring of large enterprises shall be followed by programs of growth and development of small and medium enterprises, which should include taking in the surplus staff from large enterprises.

In connection with long-term goals of Ministry of Economy and Regional Growth, (which is envisaged by the Annual operation plan "establishing the enlivening institutional surroundings for sustainable economical growth, with increase in GDP at average annual rate no less than 7%, and no later than 2015."»), following privatization activities are to take place in the next period:

-completion of privatization process in public sector enterprises no later than the end of 2008.;

- completion of shares selling from the Share fund portfolio no later than the end 2009.;

-partial privatization of "NIS Jugopetrol and "JAT Airways" no later than the end of 2008.

Taking into account the afore mentioned goals defined by the key program – "Drafting the privatization program for the rest of the enterprises with socially-owned capital amounting to total of 800 enterprises, no later than the end of 2008.", the goal is to start the privatization program for the rest of the enterprises, so the private sector could be fully privatized until the end of 2008.

Also, dynamics and scope of partial privatization of "NIS Jugopetrol and "JAT Airways", as well as other systems (EPS, Nikola Tesla airport, Telekom, Galenika) shall be more precisely defined by the appropriate programs and concepts, and by the means of selling majority/minority of state capital, as well as dynamics and scope of privatization of public utilities sector in municipal level, in accordance with Strategies for privatization of public utilities sector. Concept of privatization of public utilities sector is to be drafted to later than September 2008.

3. Mid-term priorities

Defining the strategy of privatization of public utilities enterprises in Republic of Serbia.

At least 50% of all public utilities enterprises is to be privatized until the end of 2011.

3.20.3. Business surroundings

1. Current state of affairs

Foreign investments are regulated by the Law on Foreign Investments („The Official Gazette FRY“, no. 3/02 и 5/03) and by Statute on conditions and means of attracting direct investments („The Official Gazette RS“, no. 56/06, 50/07).

Sector for Foreign Investments of former Ministry for Economic International Relations drafted the strategy of instigation and development of foreign investments which was adopted by the Serbian Government on March 9. 2006. This document contains detailed analysis of investment surroundings and emphasizes the need for deeper reforms in order to upgrade the business climate. This strategy defines concrete measures and activities to be undertaken in order to make Serbia an attractive destination for foreign investments.

Over 60% of measures envisaged by the former Action plan for suspending administrative hindrance for foreign investment, adopted by the Government on May 27. 2004. , have been put forward and the progress is evident according to World Bank and European Bank for Reconstruction and Development's accounts, granting Serbia excellent credits.

New Action plan for suspending administrative hindrance for foreign investment in 2006 is added to the Strategy as an appendix and it envisages the measures for reforming of the legislation in following areas: establishing enterprises with foreign capital, development of the infrastructure, enterprises work, reforms in the state administrations, reforms in judicature and other systematic measures.

Commission for encouraging the investiture in Serbian Economy, coordinated by Ministry of Economy and Regional Development, is comprised of representatives of numerous Ministries and Agencies, and is in charge of application of this Action plan, solving current problems that foreign investitures are facing with, and monitoring progress in this area.

Technical aid for foreign investitures, survey of opportunities for foreign investments, practical issues concerning foreign investments and drafting promotional materials falls under the jurisdiction of the Agency for foreign investments and promotion of exports (SIEPA), working with the Serbian Government. Ministry of Economy and Regional Development is in charge of monitoring actions of this Agency.

SIEPA is the main executor of SSDP (Serbian Supplier Development Programme) within SIPP (Serbia Investment Promotion Programme). This programme is financed by the EU, via European Agency for Reconstruction.

By enforcing the necessary systematic laws and by insisting on their implementation, Government of Serbia is trying to upgrade business and investment climate in Serbia in order to attract domestic and foreign investments, boost production and exports and decrease the unemployment rates via opening new working stations.

In the first phase of reforms application great progress was made in creating beneficent business surroundings, first by strengthening legal safety and by making predictable legal framework and then by improving business and investment conditions in the country. Taxation system has also been completed and perfected making it one of the most appealing in the region (lowest corporate income tax rate as well as numerous incentives). According to the World Bank's survey, Serbia has achieved significant progress in the field of enterprise establishment and registration procedures. Laws has been brought into force in order to improve business climate and protect the owners, contracts, creditors and investors, including laws on: corporate companies, bancruptcy, registration of economic subjects, administrative procedure, mortgages, competition, foreign trade etc. Implementation of these laws resulted in simplification of procedure for establishment of enterprises so the whole procedure now it takes only five days. Proposed initial capital for establishing new enterprise is 500 euros, while expenditures for issuing registration certificate cost from 50 to 100 euros, which is significantly less than in the previous years. Improvement of general business climate in the Republic of Serbia was greatly influenced by new laws in the field of telecommunications, power engineering, railroads, and postal services.

2. Short-term priorities

In order to further improve the investment and business climate, Serbia shall increase the efforts to eliminate all administrative and other hindrances for free investment (for example, cutting down on the necessary documentation, simplifying certain procedures and the issuing of building licenses, granting easier access to infrastructural services etc.). Special attention shall be paid to institutional stability and encouraging domestic and foreign investment by enforcing laws on fighting corruption, protection of the competition, public procurements and laws which refer to administration and acquiring building licenses in accordance with market conditions.

Other significant factors which shall stimulate the inflow of the investments include rapid economic reforms in general, establishment of modern legislative framework and privatization of public enterprises, development of industrial and technological parks, quality insurance, and coordination with other international standards. One of the most important factors for encouraging foreign investments is

raising awareness of the population about the significance of foreign investments and creating national program that would promote Serbia as desirable destination for further investments.

Utilization of natural, material and human potentials, rapid development of domestic private sector and increased inflow of foreign capital demand better legislation when it comes to employment in order to increase the productivity and flexibility of labor market. Special attention should be paid to elimination of institutional hindrances in order to achieve better and faster investments and infrastructure development, as well as responsible and rational use and development of construction ground and regulating jurisdiction among different administration levels concerning public property. It is also necessary to revise all regulations concerning building and construction, their simplification and partially annulment, as well as replacing the outdated legislation.

3. Mid-term priorities

In order to improve the business and investment climate in the next three years, legislation and administrative support in the field of enterprise establishing via simplified procedures for business registration and investment shall also be improved. These measures shall contribute to the increasing of domestic and foreign investments, number of enterprises and strengthening of competition of corporative sector. Bearing in mind the afore mentioned, it is also necessary to take measures in order to eliminate administrative hindrances when it comes to obtaining necessary licenses for international trade, issuing licenses and certificates, removing the obstacles to opening new working positions, exports, repatriation of profits and using services of the financial sector. It is also necessary to improve employment policy, settle the issues concerning land ownership, undergo a restitution, simplify the procedure and shorten the deadlines for obtaining building permits, ensure swift contract application and estates registration. It is necessary to adopt regulation which shall simplify factoring in order to promote factoring and simplify and speed up the collection of receivables, especially those from exports.

Consistent application of the afore mentioned measures and activities shall lead to increased competitiveness of Serbian products and services that Serbian enterprises have to offer, thus making Serbia more attractive regional investments destination.

3.20.4. The policy of small and medium enterprises

4. State of play

The level of development

The analysis of development level of SME sector⁴⁸ shows that it is a growingly important economic segment in implementation of structural reforms. In 2007 48,700 entrepreneurs were registered and 12,100 companies⁴⁹.

Basic indicators of SME sector

	SMEI			SMEI share in the sector		
	2004	2005	2006	2004	2005	2006
Number	of 285,139	276,695	268,515	99.7	99.7	99.8

⁴⁸ Source: *Report on SMEs for 2006*

⁴⁹ Figures from the Agency of corporate registers

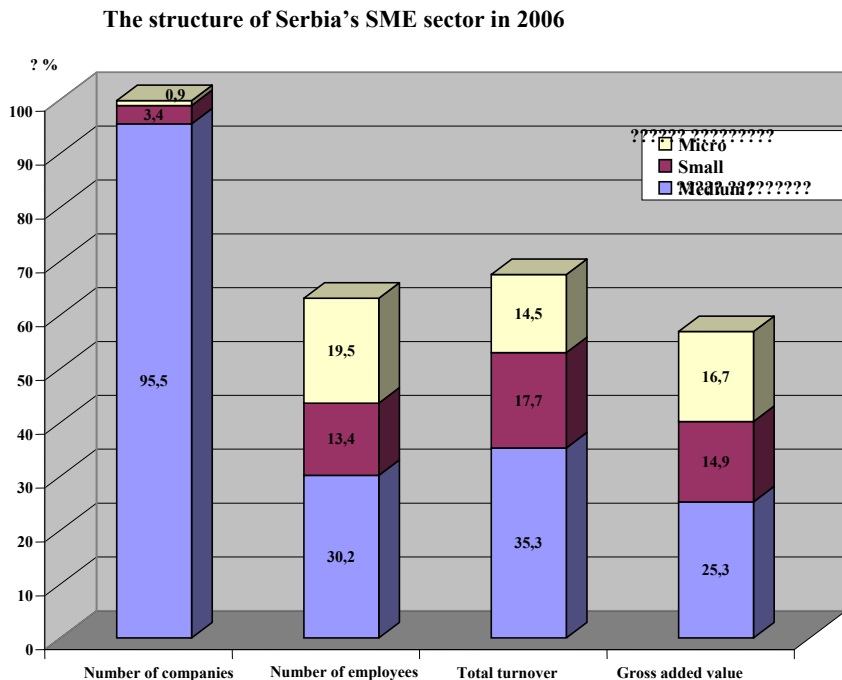
companies

Number of employees	of	752,740	810,862	870,979	54.7	59.0	63.1
Turnover (in billion RSD)	(in	2,497	2,772	3,589	68.2	65.5	67.5
GAV in bn RSD)		357	467	592	51.8	54.1	56.9
Export (bn RSD)	-		115	182	-	39.6	46.6
Import (bn RSD)	-		391	503	-	64.0	59.2

Source: Serbian Statistical Office

The SME sector is characterized by exceptionally high regional disproportion and sectoral concentration, bearing in mind that over 50% of SMEs are concentrated in five districts⁵⁰, and almost 80% of SMEs do business in only four sectors (retail and wholesale, processing industry, transport and real estate).

Within the SME sector the most numerous are micro-enterprises, which dominate by the number of employees, total turnover and share in gross added value. In 2006 within SME sector the most competitive and efficient were micro- and small enterprises.



Policy implementation

When adopting development policy of small and medium enterprises the following was appreciated:
The European Commission's Document "The Preliminary Report – Entrepreneurship in Europe"

⁵⁰ In districts of Belgrade, South Backa, Nisava, South Banat and Zlatibor

(“*Green Paper – Entrepreneurship in Europe*”); Lisbon Strategy, the European Chart on Small Enterprises; Multiannual Programme for Enterprises; the Oslo Agenda; the European Agenda for Entrepreneurship Action Plan.

The Republic of Serbia has made a significant progress in the past few years in developing functional framework for providing support to SMEs⁵¹. Although that framework exists, the implementation of that support is not coherent nor integrated and it is not funded directly from the budget. That has caused certain problems in approach to adequate SME support in the regions and insufficient focus on SMEs with innovative and export potential that can bring job creation.

The European Commission’s annual reports on implementation of the principles of small enterprises indicate Serbia’s progress in developing SMEs policy. The greatest progress was made in implementing the principle of „Cheaper and faster establishment of enterprises“ and „Funding and taxation“, whereas the weakest results have been made in implementing the principles of „Availability of Knowledge and Skills“ and „Stronger advocacy for SMEs’ interests in public sector“.

In making an incentive institutional and legal environment an important role belongs to functioning the *Council for regulatory reform*. The Strategy for regulatory reform is being drafted and it will comprise the Impact Analysis and a decree on regulatory guillotine which will deal with redundant regulations. A new composition of the *SME and Entrepreneurship Council* has been constituted from members of ministries, Republic’s Agency for SME Development and members of business community. Within the Council there are two working groups: Working group for statistical monitoring and research of SMEs and the Working group start-ups and entrepreneurship. Although a significant progress has been made in creating institutional and legal environment, there remain important pending issues to be resolved in order to establish a modern corporate legislation in Serbia and to effectively enforce it. The legal and regulatory reform for SMEs is not enough *per se*, but it is necessary to accompany it by a corresponding steady improvement of quality and efficiency in work of public institutions.

Education for entrepreneurship, as an important factor for development of SME sector, is not completely integrated with all system levels of formal education (from primary, via secondary, high and higher, to postgraduate level). In informal sector, there is an offer of educational contents that is trying to address the needs of SMEs. There, particularly conspicuous are activities the Republic’s Agency for SME Development and the network of regional agencies/centres for support to SMEs, National Employment Agency, chambers of commerce and specialized informal education institutions. Within the entrepreneurship informal education on offer, the evident problem is in uneven quality of education syllabi.

Dynamic growth of entrepreneurship in Serbia is not accompanied by establishment of a corresponding database which would provide an overview of available SME capacities and programmes for their development. Also, entrepreneurs in Serbia are aware of deficiencies in the necessary knowledge and skills, but they still do not use the opportunities of further training.

Institutional support to SME sector, created in 2003, is based on development of institutions on the national level and the network of regional agencies/centres. That process has not been completed, from the aspect of territory coverage and the services’ scope and quality.

Within building institutions for providing financial and non-financial support to SMEs and enhancement of the scope of financial support from the public sector. The Republic’s Agency for Development of SMEs has developed a network for improvement of providing non-financial support, consisting of 14 regional agencies/centres, which makes a good coverage of Serbia’s territory in providing these services.

⁵¹ EU/OECD/Investment Compact SME Policy Index

Financing SMEs has been improved with public sector funds, through the Development Fund of RS, with larger scope of funds for micro-credits to start-ups, on favourable conditions. However, there are particular problems in availability and accessibility of funds, as well as insufficient efficiency in monitoring the impact of financial support.

Besides. For providing support to SMEs an institutional network has been formed and beside the Development Fund it is made of Serbia's Guarantee Fund, Agency for Insurance and Funding Exports and the Fund for financing foreign trade operations. Particular importance in providing financial support has been attached to the funds from the National Investment Plan of RS.

The lack of regulations in non-banking financial institutions limits the development of financial instruments for establishing and functioning of risk capital, micro-credit and guarantee funds on regional and local level. The existing micro-finance support in Serbia does not meet the demand. The impact of the Law on investment funds in the field of SME funding is yet to be analysed.

The gained experience show that there is an unequivocal need for different forms of non-financial support (training, advisory services, mentoring, etc.) in the stage of preparations for launching, as well as in the first years of business operations. It is especially important to develop better coordination of functional link between financial and non-financial support for start-ups..

In the Republic of Serbia, pursuant to the Law on Investment Funds, 9 investment funds have been established and they are not servicing as incentive to SME sector yet..

In the domain of innovation, the Republic of Serbia is characterized by absence of organized system for fostering innovation activities. Such a situation has the consequence of lack in technical and non-technical innovation, lack of innovative network, lack of research, bad reputation of local products, insufficient financial and infrastructural support, small number of laboratories and research capacities, as well as absence of the key factor – innovation development network.

Regarding quality standards and guarantee, the Republic of Serbia is mainly lagging behind, which is detrimental to export development. In the EU accession process, it is necessary to harmonize legislation, technical requirements, to introduce standardization, metrology, procedures of conformity assessment and capacity building for ensuring quality, which will enhance products and services' competitiveness in the European and world market.

Development of clusters is one of the instruments for enhancing enterprises' competitiveness in foreign markets, enhancement of employment and economic development. Cluster development is based on the adopted Programme for Development of Business Incubators and Clusters in the Republic of Serbia 2007-2010. The cluster development programme will establish strategic partnership and links among companies, improve capacities for technological development and innovation and boost the capacities of local companies for foreign business operations. In 2007 incentive programmes for development to the following clusters were supported: car parts and equipment producers, wood processors, small agricultural machine producers, plastic packaging producers, software cluster and flower producers' cluster.

The Republic's Institute for information systems and the Internet⁵² in March 2007 implemented the software solution of *Portal of e-government of the Republic of Serbia*. The e-government portal is an entrance to the existing electronic services of public administration. Entering the service can provide basic information relevant for getting a service rendered⁵³. For some services there are electronic forms

⁵² www.rzii.sr.gov.yu/

⁵³ For legal entities the following information and services are provided: new companies' registration, providing statistical data, corporate income tax, social allowances for employees, VAT, public procurements, customs declarations, licences related to environment protection

that can be printed and used as an application. For some services the portal directly brings to web pages and institutions competent for them.

A regulatory body, RNIDS, started working – Register of National Internet Domain of Serbia⁵⁴ which provided easier registration of Internet domains and the possibility to register several domains on the name of one company.

Within the Institute for Intellectual Property of the Republic of Serbia during 2007 the creation of IT infrastructure was provided as well as that of the base for easier accessibility of information related to intellectual property. In accordance with the EU directives on public and free accessibility of information on intellectual property rights, during 2007 there was an intensive work on digitalization of databases that are now accessible via the Intellectual Property Institute website.

Development of ICT as means of economic growth enhancement, increase of employment rate, the European integration and long-term stability of the whole region, for the period 2007-2012 will rely on the adopted and signed „eSEE Agenda+“⁵⁵ from October 2007.

5. Legislation

Entrepreneurs' opinion⁵⁶ shows the necessity to change the attitude of public administration to SMEs, which implies: 1) better mutual informing of regulation-makers and SMEs of their implementation impact and initiatives to amend them; 2) stronger preventive actions of inspectorate agencies; 3) joint organization of further training for entrepreneurs in regulations implementation; and 4) establishing better cooperation on local level between inspectorate agencies and SME associations in regulations implementation.

The regulations in Serbia are still characterized by numerous deficiencies that cause uncertainty in business operations, and particularly relate to:

THE VELOCITY OF ADOPTION AND FULL IMPLEMENTATION OF NEW LAWS
MUTUAL DISCORDANCE BETWEEN BY-LAWS AND ADMINISTRATIVE CAPACITIES
AND PROCEDURES
POSSIBLE DIFFERENT INTERPRETATIONS OF LAWS
CONFERRING THE RESPONSIBILITY FOR REGULATIONS IMPLEMENTATION ON
MANY PUBLIC INSTITUTIONS.

There is a particular problem in existence of informal economy which causes unfair competition in the SME sector. Bearing in mind that informal economy brings job creation, it is necessary to create conditions for its reduction by gradual transposition to formal flows.

Compared to big enterprises, SMEs are considered to be underrepresented in the policy-making process. The prospects of successful implementation of the Strategy will be significantly improved if mechanisms for maintaining dialogue between public sector and SMEs are established.

2.1. Strategic documents

The SME and entrepreneurship development policy was based on the following strategic papers:

1. The Strategy of SME development in the Republic of Serbia 2003-2007;
2. The Plan for incenting SME development and entrepreneurship in the period 2005-2007, adopted by the Serbian Government in late September 2005, containing a comprehensive

⁵⁴ <http://www.rnids.rs/>

⁵⁵ http://www.euprava.gov.yu/files/File/Brosure%20i%20vodici/eSEE%20Agenda%20Plus%20231007_

⁵⁶ Report *Entrepreneurs' Views of SME Policy*

system of incentive measures for overcoming problems and for faster development of this sector, but the Plan was not supported by a corresponding budget;

3. The Programme for developing business incubators and clusters in Serbia 2007–2010;

4. The European Charter on Small Enterprises

6. Donors and development aid

During 2007 many donor project were implemented, oriented toward providing assistance for making and implementation of SME policy, creation of institutions, providing assistance on regional level. The assistance implied expert, technical and business know how transfer through the activities of capacity building, institutional development, support to development of enterprises, service rendering, quality assurance, development of skills and management in enterprises and business linkages.

Bearing in mind the possibilities of using EU funds from IPA, activities of defining programmes/projects to apply for these funds are in the pipeline.

A particular importance for SMEs rests with the Framework Programme of Competition and Innovation 2007-2013 (CIP). Within the EIP subprogramme of CIP there is a possibility to use financial assistance allocated for SME sector through EIF. It is necessary to take the relevant steps in order for the Government to adopt the Memorandum of Understanding, which will subsequently be sent for adoption to the European Union, and the signature of which will make Serbia member state of Competition and Innovation Programme (CIP).

4. Short-term priorities

Incentives to development of SME sector, establishment of new and development of the existing SMEs, is one of the strategic priorities of the Serbian Government, in order to enhance the overall employment, competition and reduction of regional disproportions, which implies:

- Adoption of Competitiveness and Innovativeness Strategy for SMEs (2008-2012)
- SMEs development policy making and implementation
- Reinforcement of the SME Council's role
- Reinforcement of dialogue between public and private sector
- Completion of institutional infrastructure building
- Drafting the Impact Analysis of regulations and lowering barriers for SMEs' business operations

5. Mid-term priorities

In the next mid-term period activities will be driven toward implementation of the Strategy for competitive and innovative SMEs 2008-2012, and certain operation plans based on this strategic paper. With this, priority will be given to measures and activities of promotion and support to entrepreneurship and establishment of start-up companies; strengthening human resources for a competitive SME sector – development of management, skills and advisory services; improvement of finances and financial expertise for SMEs and taxation; strengthening the competitive advantage of SMEs in export markets – innovation, quality assurance, sectoral development, clusters and subcontracting and better laws and institutions servicing SMEs.

The principles of *European Charter on Small Enterprises* will be continually implemented.

3.21. TRANS-EUROPEAN NETWORKS

The field of trans-European transport networks in the Republic of Serbia is within the sphere of competence of the Ministry of Infrastructure, whereas the issues of trans-European energy networks are in the competence of the Ministry of Mining and Energy.

3.21.1. Trans-European Transport Networks

3.21.1.1. Current Status

Parts of the *acquis communautaire* that define the field of trans-European networks in the area of transport are:

- Decisions No 1346/2001/EC and 884/2004/EC amending the Decision No 1692/96/EC on the Community Guidelines for development of the trans-European transport network;
- Directive 2004/50/EC amending the Council Directive 96/48/EC and the Directive 2001/16/EC on the interoperability of trans-European systems of high-speed rail and the interoperability of trans-European conventional railway systems;
- Commission Directive 2007/32/EC amending the Council Directive 96/48/EC and the Directive 2001/16/EC on the interoperability of trans-European systems of high-speed rail and the interoperability of trans-European conventional railway systems.

During 2004, at the initiative of the European Commission, the High Level Group on the Extension of the Major Trans-European Transport Axes to the Neighbouring Countries and Regions (hereinafter: "HLG") was established with a view to identifying the subset of networks, which best connect the trans-European network with the neighbouring countries and strengthen the regional integration in the long term. The most important parts of the network identified in the HLG report, in the territory of the Republic of Serbia, are as follows:

- Corridor X with its branches - Xb (Belgrade-Budapest) and Xc (Nis-Sofia), which is the most important road and railway route in the territory of the Republic of Serbia. It has been established as a part of the South-eastern multimodal axis defined in the HLG Final Report, linking Austria/Hungary, Slovenia/Croatia, Republic of Serbia and Bulgaria/Macedonia/Greece. It comprises 792 km of roads and 760 km of railway lines in the Republic of Serbia;
- Corridor VII (the river Danube) is the backbone of the European internal routes, connecting the Central Europe via the Republic of Serbia with the Black Sea, and it is a part of the South-eastern multimodal axis. It is born at the confluence of the rivers Breg and Brigach, which spring at the southeast slopes of Schwarzwald (Germany), and flows into the Black Sea through a large delta. It is navigable throughout its course in our country, roughly 600 km in length. Its tributary rivers are Sava, Tisza, Morava, Tamiş, Timok and others, whereas in other countries they are also Inn (Germany), Morava (Czech Republic), Drava (Croatia), Iskar (Bulgaria), Olt and Prut (Romania). There are about three hundred of them in total. The Danube is navigable from Ulm (Germany) to its mouth at the Black Sea: from Regensburg to Braila (2,209 kilometres) for passenger ships and cargo ships with tonnage exceeding 1,000 tons, and also from Braila to Sulina (170 kilometres) for ocean ships with drafts not exceeding 7.31 metres. Among the largest ports on this river are Regensburg, Linz, Vienna, Bratislava, Budapest, Novi Sad, Belgrade, Smederevo, Rousse, Braisla, Galaţi and Izmail. In our country, between Golubac and Kladovo, the Danube runs through the Djerdap Gorge, where a huge hydroelectric power plant was constructed in cooperation of Yugoslavia and Romania and launched in 1972.

The HLG Final Report, dated November 2005, defined the priority European projects for the Pan-European Corridors VII and X, in terms of expanding the trans-European network to the neighbouring countries and regions. The Report also reflected on the so-called “horizontal issues”: intermodality, interoperability, security and safety in transport and infrastructure, removal of non-physical barriers and traffic management.

The document “Memorandum of Understanding on the Development of the South East Europe Core Regional Transport Network” was signed on 11th June 2004 in Luxembourg, with the purpose of developing the mutual connections of South-eastern Europe with the trans-European transport network of the enlarged European Union. The Memorandum identifies the principles and modalities of cooperation in the regional transport, includes the development of the Core Regional Transport Network (hereinafter: the Core Network) and the South East Europe Transport Observatory (hereinafter: SEETO).

The fundamental objective of SEETO is to develop the regional cooperation through assistance provided to the Signatories in implementation of the Memorandum of Understanding, to promote exchange of information about the projects in the Core Network through development of the information system and the database, as well as to support the strengthening of the regional planning capacity through promotion and creation of the five-year action plan for Core Network development. SEETO is based in Belgrade, and the Republic of Serbia is the office host.

The EU Instrument for Pre-accession Assistance (IPA), as a new pre-accession assistance instrument, was established in 2005, pursuant to the Council Regulation on Establishment of the Instrument for Pre-accession Assistance No 1085/2006, dated 17th July 2006. The priorities and funding for implementation of these priorities are set/allocated by the Multi-annual Indicative Planning Document (MIPD), which is drafted on the basis of the Strategy for Development of the Railway, Road, Water, Air and Intermodal Transport in the Republic of Serbia 2008-2015, adopted in December 2007, and the White paper - European Transport Policy for 2010.

During 2007, the Republic of Serbia actively participated in the work of SEETO, namely through engagement in its Steering Board, through the work of the National Coordinator and the participation in the work of the Rail and Intermodal Working Group. At the 3rd Meeting of the Ministers of Transport, held in Tirana on 4th December 2007, the Multi-annual Plan 2008-2012 was adopted, as well as the Appendix to the Memorandum of Understanding on the Development of the South East Europe Core Regional Transport Network on the South East European Railway Transport Community.

3.21.1.2. Short-term Priorities

Strategy for Development of the Railway, Road, Water, Air and Intermodal Transport in the Republic of Serbia 2008-2015 (hereinafter: the Strategy) determines the current status in these areas of transport, establishes the concept of development of infrastructure and transport, defines the long-term and time-bound transport system development objectives and the action plan for their fulfilment, taking into consideration the need for sustainable development of transport in the Republic of Serbia. The guidelines for such development are set up on the level of the entire system and based on the principles of safety, intermodality, application of modern technologies, complementary usage of all types of traffic and rational utilisation of the available capacities and resources in the country, to the benefit of all citizens of the Republic of Serbia. The Strategy was adopted in December 2007.

The HLG document defined the priority infrastructure projects of the Republic of Serbia:

1) List 1 – short-term to medium-term projects:

a) 6 – reconstruction and modernisation of the railway line: border with Hungary-Belgrade-Nis-border with Bulgaria/border with FYR Macedonia, including the bridge over the Danube in Novi Sad;

b) 7 – reconstruction and modernisation of the railway transport within the Belgrade railway knot,

c) 21 – raising the quality level of the road in the sections border with Hungary-Belgrade-Nis-border with Macedonia;

d) 22 – ring road around Belgrade, section Batajnica-Bubanj Potok;

2) List 3 – other large projects related to the multimodal axes and the projects of regional of national importance:

a) 38 – “Gazela” Bridge in Belgrade;

b) 39 – Belgrade intermodal logistical platform.

The Strategic Business Plan of PE Serbian Railways 2006-2010, in addition to consolidation of the company, envisages phased construction, modernization and reconstruction of the infrastructure and procurement, modernization and reconstruction of the railway traffic resources, namely:

3) Railway tracks and buildings in the Corridor X, Belgrade railway knot and the Dimitrovgrad railway station;

4) Railway line Belgrade-Bar (Belgrade-Pozega-Vrbnica-border with Montenegro);

5) Modernisation of 38 electric locomotives, procurement of 1100 new freight wagons, 18 new shunter locomotives, 10 used self-propelled coaches, modernisation and reconstruction of 27 electric and diesel self-propelled coaches and 30 passenger coaches.

The terminals must be strategically located and designed in the vicinity of important transport infrastructure crossings (road-railway-river) with the flexibility and possibility of expansion according to the needs of the market, thus establishing the basic terminal capacities for intermodal transport via the improved existing transport infrastructure of all types of traffic, according to the principle of intermodality.

The priorities for work on the public roads network are as follows:

1) Construction of the second carriageway in the Horgos-Belgrade section (branch of the Corridor -Xb);

2) Construction of the motorway sections Leskovac-border with Macedonia (Corridor X) and Nis-border with Bulgaria (branch of the Corridor - Xc);

3) Principal road corridors of the Core Network are given priority in rehabilitation/reconstruction: Corridor X, with its branches Xb and Xc, Route 3 (Uzice-border with Bosnia & Herzegovina), Route 4 (border with Romania-Vrsac-Pancevo-Belgrade-Cacak-Pozega-Uzice-border with Montenegro), Route 5 (border with Bulgaria-Zajecar-Paracin), Route 6 (border with Montenegro-Ribarice-AP Kosovo and Metohija), Route 7 (Nis-Prokuplje-Kursumlija-AP Kosovo and Metohija) and the transverse connections Pojate-Krusevac-Kraljevo-Cacak, Pirot-Leskovac-AP Kosovo and Metohija and Subotica-Backa Palanka. The stages of realisation will be determined on the basis of economic feasibility;

4) Detection of bottlenecks in the Core Network of public roads in the Republic of Serbia – roads through and around Belgrade, bridges on the Danube and Sava rivers in Belgrade and its vicinity,

ring road around Belgrade, road Belgrade-Novisad (the bridge near Beska), temporary railway-road bridge in Novi Sad, Ibarska main road;

5) Reconstruction of the bridges in the road network with the purpose of improving their structure, stability and permitted load. Due to inadequate maintenance over the years and the increase of the traffic density in certain sections of the said network, the bridges have become prominent bottlenecks. A separate analysis needs to be carried out to define the priorities for reconstruction of the bridges in the Core Network;

6) Preparation of the study on priority measures for enhancing the safety of the traffic in the international routes in the Republic of Serbia. Introduction of the official methodology for definition and rehabilitation of the high-risk road sections and their repair.

The priorities for work in the Corridor VII are as follows:

1) Introduction of the radio system in the inland waterways and installation of aerial transmission systems and connection of the 8 port authorities by means of the Radio Base Station with the programme, with a view to increasing the operational efficiency of the port authorities and the safety of people and goods in the waterways.

2) Dredging of the Danube riverbed with construction works in the riverbed with a view to removing the waterway bottlenecks.

3) Establishment of the River Information Services – RIS along the entire length of the Danube, as a potent instrument for modernisation of the inland waterway sector, in order to upgrade the safety and performance of navigation and provide the contacts for logistical services

4) Reconstruction of two locks – Djerdap 1 and 2

5) The project of cleaning the sunken objects from the Danube riverbed – extraction of the World War II vessels sunk in the sector Djerdap 2.

3.21.1.3. Medium-term Priorities

Pursuant to the Council Decision on the principles, priorities and terms of the European partnership with the Republic of Serbia, including Kosovo according to the United Nations Security Council Resolution 1244 of 10th July 1999, the implementation of the Memorandum of Understanding on the Development of the South East Europe Core Regional Transport Network and strengthening of cooperation with the South East Europe Transport Observatory (SEETO).

3.21.2. Trans-European Energy Networks

3.21.2.1. Current Status

3.21.2.1.1. Legislative Framework

The Energy Law (*Official Gazette of the Republic of Serbia*, No. 84/04) regulates: the objectives of the energy policy and the modality of its implementation, the way the energy market is organised and operates, conditions for firm and quality supply of energy to the customers, conditions for achieving safe, reliable and efficient energy production, management of energy transmission, transport and distribution systems and the method to ensure unhindered operation and development these systems, the terms and modalities for performing the energy activities, conditions for achieving the energy efficiency and environmental protection in performance of energy activities.

Pursuant to this law, as well as the previously adopted regulations, the following by-laws of significance for the trans-European energy networks have been adopted:

1. Decision on Establishing the Energy Sector Development Strategy of the Republic of Serbia up to 2015 (*Official Gazette of the Republic of Serbia*, No. 44/2005), which, following the principle that the most important objectives of energy policy of the Republic of Serbia should be harmonised with EU practice and regulations, highlights as one of the permanent and long-term development strategic objectives the active participation of Serbia in planning and construction of the strategic-regional and pan-European energy infrastructure for transport of oil and gas from the new supply sources as one of its general-development and strategic objectives.

This Decision also determines as one of the priority programmes of the Energy Sector Development Strategy of the Republic of Serbia up to 2015 the long-term development and regionally strategic Priority of constructing new energy infrastructure facilities and electric energy and heat sources within the Serbian energy sectors, as well as the capital-intensive energy infrastructure, within the regional and pan-European infrastructure systems connected with the systems in the Republic of Serbia.

2. Regulation on Establishing the Programme for Implementation of the Energy Sector Development Strategy of the Republic of Serbia up to 2015 for the period from 2007 to 2012 (*Official Gazette of the Republic of Serbia*, No. 17/2007 and 73/2007) specifies the above objectives and priorities of the Energy Sector Development Strategy of the Republic of Serbia up to 2015 for the period from 2007 to 2012, with respect to the field of trans-European energy networks through:

- Basic outline of the international project Pan-European Oil Pipeline (*PEOP*);
- Pipeline construction project with the inlet from the direction of Bulgaria, for gas import from the Russian Federation, and
- Electricity transmission system, including the transit of this energy carried out through the territory of the Republic of Serbia.

3. Rules on Technical Standards for Construction of Overhead Electricity Power Lines with Nominal Voltage of 1 kV to 400 kV (*Official Journal of the SFR Yugoslavia*, No. 65/1988 and *Official Journal of the Federal Republic of Yugoslavia*, No. 18/1992)

4. Regulation on the Conditions for Electricity Delivery (*Official Gazette of the Republic of Serbia*, No. 107/2005)

5. Regulation on the Conditions for Natural Gas Delivery (*Official Gazette of the Republic of Serbia*, No. 47/2006)

6. Rules on the Conditions Compulsory for the Energy Entity for Natural Gas Transport and Distribution Regarding the Professional Staff (*Official Gazette of the Republic of Serbia*, No. 93/2005)

7. Rules on Criteria for Issuing the Energy Licence, Content of the Request and the Modality of Issuing the Energy Licence (*Official Gazette of the Republic of Serbia*, No. 23/2006)

8. Rules on Conditions, Modality and Programme for Taking the Licence Exam for the Persons Performing the Tasks of Technical Management, Maintenance and Operators in the Facilities for Natural Gas Transport and Distribution (*Official Gazette of the Republic of Serbia*, No. 93/2005)

9. Rules on Requirements Regarding the Professional Staff and the Terms of Issuing and Revoking Energy Licences (*Official Gazette of the Republic of Serbia*, No.117/2005, 40/2006 and 44/2006)

10. Decision on Establishment of the Public Enterprise for Electricity Production, Distribution and Trade (*Official Gazette of the Republic of Serbia*, No. 12/2005)

11. Decision on Establishing the Public Enterprise for Electricity Transmission and Transmission System Management (*Official Gazette of the Republic of Serbia*, No. 12/2005 and 58/2005)

12. Decision on Establishing the Joint Stock Company for Research, Production, Processing, Distribution and Trade of Oil and Oil Derivates and Research and Production of Natural Gas (*Official Gazette of the Republic of Serbia*, No. 60/2005)
13. Decision on Establishing the Public Enterprise for Transport of Oil through Oil Pipelines and Transport of Oil Derivates through Product Pipelines (*Official Gazette of the Republic of Serbia*, No. 60/2005 and 83/2005)
14. Decision on Establishing the Public Enterprise for Natural Gas Transport, Storage, Distribution and Trade (*Official Gazette of the Republic of Serbia*, No. 60/2005 and 51/2006)
15. Decision on Establishing the Methodology for Setting Tariff Elements for Calculating Prices for Access to and Use of the System for Electricity Distribution (*Official Gazette of the Republic of Serbia*, No. 68/2006 and 18/2007)
16. Decision on Establishing the Methodology for Setting Tariff Elements for Calculating Prices for Access to and Use of the System for Oil Derivates Transport through Product Pipelines (*Official Gazette of the Republic of Serbia*, No. 68/2006)
17. Decision on Establishing the Methodology on the Criteria and Manner for Setting Costs of Connection to the Transmission and Distribution System for Natural Gas (*Official Gazette of the Republic of Serbia*, No. 18/2007)
18. Decision on Establishing the Methodology for Setting the Tariff Elements for Calculating Prices for Access to and Use of the System for Oil Transport through Oil Pipelines (*Official Gazette of the Republic of Serbia*, No. 68/2006 and 1/2007)
19. Decision on Establishing the Methodology for Setting the Tariff Elements for Calculation of Prices for Access to and Use of the System for Natural Gas Transport (*Official Gazette of the Republic of Serbia*, No. 68/2006 and 1/2007)
20. Tariff System for Electricity Transmission System Access and Utilisation (*Official Gazette of the Republic of Serbia*, No. 1/2007 and 31/2007)
21. Tariff System for Electricity Distribution System Access and Utilisation (*Official Gazette of the Republic of Serbia*, No. 1/2007 and 31/07)
22. Tariff System for Access to and Utilisation of the System for Oil Transport via Oil Pipelines and Transport of Oil Derivatives via Product Pipelines (*Official Gazette of the Republic of Serbia*, No. 1/2007)
23. Tariff System for Natural Gas Transport System Access and Utilisation (*Official Gazette of the Republic of Serbia*, No. 1/2007)
24. Tariff System for Natural Gas Distribution System Access and Utilisation (*Official Gazette of the Republic of Serbia*, No. 1/2007).

The Law is partially harmonised with *acquis communautaire*. Non-compliance occurs with respect to certain provisions of the Chapter IV of the Law “Market and Competitiveness on the Energy Market”, Chapter IX “Electric Energy”, Chapter XI “Natural Gas”. For this reason, it is necessary to implement the Directive 2003/54/EC, which is related to the common rules for internal electricity market, the Directive 2003/55/EC, which is related to the common rules for internal natural gas market, and the Regulation 1228/2003/EC on the conditions for access network access with a view to cross-border electricity exchange.

The Law on Pipeline Transport of Gas and Liquid Hydrocarbons (*Official Journal of the Federal Republic of Yugoslavia*, No. 29/1997) regulates the conditions for safe and smooth pipeline transport of gas and liquid hydrocarbons; defines the concept of this transport and determines which products are to

be considered as gas and liquid hydrocarbons. Furthermore, this Law defines the terms of gas pipeline, oil pipeline and oil product pipeline for international transport, which is significant for the field of trans-European energy networks.

The Law is not harmonised with *acquis communautaire*.

Treaty Establishing the Energy Community between the European Community and the Republic of Albania, Republic of Bulgaria, Bosnia & Herzegovina, Republic of Croatia, Former Yugoslav Republic of Macedonia, Republic of Montenegro, Romania, Republic of Serbia and the United Nations Interim Administration Mission in Kosovo Pursuant to the United Nations Security Council Resolution 1244 is a legal framework, which regulates the field of trans-European networks in the area of energy, and, at the same time, a part of the *acquis communautaire*.

The Treaty was signed on 25th October 2005, and the republic of Serbia actively participated in negotiations for its conclusion.

The National Assembly of the Republic of Serbia ratified the Treaty Establishing the Energy Association, and the Law on Treaty Ratification was published in the *Official Gazette of the Republic of Serbia*, No. 62/2006.

The part of the *acquis communautaire* that is directly related to trans-European energy networks is the **Decision 1364/2006/EC on the Guidelines for Trans-European Energy Networks**.

The Regulation 680/2007/EC laying down general rules for the granting of Community financial aid in the field of trans-European transport and energy networks is of direct importance for the trans-European energy networks, particularly due to the fact that this Regulation is linked with the current EU Budget period (2007-2013).

Furthermore, certain special laws regulating the sectoral issues are also relevant for trans-European energy networks. These are: **Planning and Construction Law** (*Official Gazette of the Republic of Serbia*, No. 47/03 and 34/06), which regulates the issuance of documents necessary, in addition to the energy licence, for construction of energy facilities; **the Law on General Administrative Procedure** (*Official Journal of the Federal Republic of Yugoslavia*, No. 33/97 and 31/01 and *Official Journal of Serbia & Montenegro*, No. 1/03), which regulates the procedures followed in the work of bodies competent for issuance of the documents required for construction of energy facilities, including the energy licence; **the Law on Concessions** (*Official Gazette of the Republic of Serbia*, No. 55/03), which is significant for the field in question considering that the subject of concession may also be construction, maintenance and exploitation of the oil pipeline, gas pipeline, facilities for storage, transport and distribution of gas, or their reconstruction, modernisation, maintenance and exploitation, as well as construction, maintenance and exploitation of energy and other facilities designated for electricity production, storage, transmission and distribution, or their reconstruction, modernisation, maintenance and exploitation.

Although these laws regulate the issues that are connected, to a higher or lower extent, with construction and exploitation of the facilities that constitute the trans-European energy networks, it is necessary that they comply with the Energy Law.

3.21.2.1.2. Institutional Framework

The field of trans-European energy networks is within the sphere of competence of the Ministry of Mining and Energy (legislative role), the Energy Agency (independent regulatory body), the public enterprise for electricity transmission and transmission system management, the public enterprise for oil

transport through oil pipelines and oil derivatives transport through product pipelines, and the public enterprise for transport, distribution, storage and trade of natural gas - which were founded by the Republic of Serbia. As a founder, the Republic of Serbia has rights and obligations with respect to these enterprises, in accordance with the Law on Public Enterprises and Performance of Actions of General Interest (*Official Gazette of the Republic of Serbia*, No. 25/2000, 25/2002, 107/2005 and 108/2005 – corrigendum.).

The scope of the Ministry of Mining and Energy has been stipulated by the Law on Ministries (*Official Gazette of the Republic of Serbia*, No. 43/2007), according to which the Ministry performs the actions of public administration pertaining to, *inter alia*, energy, oil and gas industry, safe pipeline transport of gas and liquid hydrocarbons, measures taken with a view to ensuring the conditions for operation of the public enterprises in the Ministry's fields of competence.

3.21.2.2. Short-term Priorities (2008-2009)

3.21.2.2.1. Legislation

1. Treaty Establishing the Energy Community covers *acquis communautaire* in the field of energy. Therefore, it is expected that the implementation of the entire *acquis communautaire* in this field will be completed during 2008, through **Amendments to the Energy Law** and adoption of the by-laws on the basis of the updated Energy Law.

Within the activities related to implementation of the Treaty Establishing the Energy Community, the Ministry of Mining and Energy had commenced the procedure of updating the current Energy Law (*Official Gazette of the Republic of Serbia*, No. 84/2004); however, considering the scale and significance of the amendments to the Law, the activities in this procedure were, until the end of 2007, conducted exclusively at the inter-ministerial level.

In compliance with the Treaty Establishing the Energy Community between the European Community and the Republic of Albania, Republic of Bulgaria, Bosnia & Herzegovina, Republic of Croatia, Former Yugoslav Republic of Macedonia, Republic of Montenegro, Romania, Republic of Serbia and the United Nations Interim Administration Mission in Kosovo Pursuant to the United Nations Security Council Resolution 1244, it is necessary, through envisaged amendments to the Energy Law, to implement the Directive 2003/54/EC, which is related to the common rules for internal electricity market, the Directive 2003/55/EC, which is related to the common rules for internal natural gas market, and the Regulation 1228/2003/E3 on the conditions for network access with a view to cross-border electricity exchange.

2. The Government of the Republic of Serbia drafted the **Law on Pipeline Transport of Gas and Liquid Hydrocarbons and Distribution of Gas Hydrocarbons** and submitted it on 18th January 2008 to the National Assembly of the Republic of Serbia for discussion and adoption.

Among the most important reasons for adoption of this law is the need to perform the necessary harmonisation of our legislation in the field of energy with EU regulations pertaining to the energy sector, which is exactly what this law does.

Harmonisation of the national legislation, which regulates legal relations within the energy sector, with EU regulations, as well as with the acts pertaining to the regional market, has been carried out with the purpose of ensuring the necessary conditions of connecting the energy entities in the region, their equal position in the energy market, approximately the same degree of protection for the energy customers and other conditions that ensure gradual opening of the energy market. In this way, the energy entities operational in the territory of the Republic of Serbia are also provided the business conditions, which are necessary in the technical, technological and organisational sense for the smooth running processes of

regional integration in the energy transmission, transport and trade and the creation of conditions for inclusion in the European economic trends.

For the purpose of clearer comprehension of the intention of the law in the part regarding harmonisation of our legislation with EU regulations and the adopted principles with respect to establishment of the regional energy market, reference is made to the legislation pertaining to the field of gas industry and petroleum industry:

The European Energy Charter, the purpose of which is to establish the legal framework for promotion of regional cooperation in the field of energy, based on complementarity and mutual benefit, which is reflected in the legal solution to the issues of the energy market, market competition, energy transit with free access to transmission-transport systems, free access to energy technologies and the capital market, protection of investments, sovereignty over energy assets, environmental protection, legal regulations and the ways to resolve disputes; Directive 91/296/EEC on the transit of natural gas through networks; Directive 2003/55 on the common rules for the internal natural gas market repealing the Directive 98/30/EC; the Treaty Establishing the Energy Community of South Eastern Europe and its integration in the internal EU energy market. In the field of oil and oil derivatives, the principles of INOGATE (Framework Agreement on Institutional Foundations for Establishing the Interstate System for Oil and Gas Transport) have been applied, which was ratified in 2001 by the then Federal Republic of Yugoslavia.

However, successful implementation of *acquis communautaire* in the field of energy depends on the timely realisation of the constitutional and legal assumptions (constitution of the National Assembly and the Government in 2008), which would enable the continuation of work on amendments to the Energy Law and on the adoption of the Law on Pipeline Transport of Gas and Liquid Hydrocarbons and Distribution of Gas Hydrocarbons and, afterwards, on adoption on the by-laws.

In addition to the by-laws, the adoption of which has been envisaged by the Energy Law, importance with respect to the field of trans-European energy networks is also given to the regulations which will be adopted by transmission system operators in the field of electricity and natural gas, acting under authorisations stipulated in this Law. These regulations will ensure the establishment of technical and technological conditions for connection of the energy facilities, equipment and plants within an integrated system, as well as the parallel operation of the energy system of the Republic of Serbia and the adjacent electric energy systems, and/or for the natural gas transport system – third party access to this system.

The rules on operation of the transmission systems are adopted having obtained the agreement of the Energy Agency, as an independent regulatory body, and published in the Official Gazette of the Republic of Serbia.

After adoption of the Law on Pipeline Transport of Gas and Liquid Hydrocarbons and Distribution of Gas Hydrocarbons, the minister competent for energy affairs will pass, within the period specified by the law (two years after the date of entry into force of the law), several regulations, in the form of by-laws, which will stipulate:

- Conditions for selection of the pipeline route; location and manner of construction of the facilities constituting the pipeline; selection of material, equipment and devices; operational parameters of the pipeline; methods for measuring the quantity of gas and liquid hydrocarbons; pressure regulation and security measures against exceeding the permitted operational pressure; pipeline route marking; safety zone around the pipeline, residential buildings, constructions and infrastructure facilities in the safety zone of the pipeline; operational zone; hazard zones and protection from pipeline corrosion;

- Conditions and method for remote supervision and management and the system of connections with the purpose of ensuring safe and smooth transmission of information pertaining to exploitation and maintenance of the pipeline system;
- Conditions regarding the design, installation and maintenance of electric equipment and installation in hazard zones;
- Conditions and method for inspection of the pipeline during its construction, before commencement of operation;
- Conditions and method for exploitation and operation of the pipeline and its maintenance during operation, overhaul and emergency events; protection from pipeline corrosion and leakage; inspection and maintenance of safety devices; examination of replaced parts and conducted defect repairs; record keeping of defects; pipeline corrosion and leakage status; method for compulsory and periodic pipeline inspection and keeping of special records on conducted inspection.
- Manner of keeping records on the transported and distributed quantities of gas and liquid hydrocarbons;
- Conditions and method for protection of the pipeline, and/or its pertaining surface devices, plants and facilities from unauthorised use or damage.

The responsible institution is the Ministry of Mining and Energy.

3.21.2.2.2. Institutions

Capacities will be strengthened in the Ministry of Mining and Energy, the Energy Agency and the public enterprises for transmission of electricity and transmission system management, for transport of oil through oil pipelines and transport of oil derivatives through product pipelines, and for transport, distribution and storage of and trade in natural gas, through staff advancement and procurement of equipment, in order to enable further pursuit of and involvement in the development of energy sector infrastructure, the basis of which consists of trans-European energy networks and the integrated energy market established through this infrastructure.

3.21.2.3. Medium-term Priorities (period 2010-2011)

3.21.2.3.1. Legislation

Conduct the analysis of compliance of other laws that regulate the issues of importance for the field of trans-European energy networks with the Law on Mining and the Law on Pipeline Transport of Gas and Liquid Hydrocarbons and Distribution of Gas Hydrocarbons, in order to harmonise them with the Law on Mining and the Law on Pipeline Transport of Gas and Liquid Hydrocarbons and Distribution of Gas Hydrocarbons.

3.21.2.3.2. Institutions

Capacities will be strengthened in the Ministry of Mining and Energy and the Energy Agency of the Republic of Serbia, according to the following schedule.

Recruitment and training plan:

Table 1

Recruitment needs in the public institutions

The Ministry of Mining and Energy and the Energy Agency of the Republic of Serbia⁵⁷

Institution	State whether the institution exists or its establishment is planned	Current number of employees	<i>Planned (total) number of employees (by year)</i>				
			2008	2009	2010	2011	2012
Ministry of Mining and Energy	Existing	2	6	8	10	12	12
EARS	Council Existing	5	5	5	5	5	5
	Service	28	28	35	35	40	40
Total		35	39	48	50	57	57

⁵⁷ The presented current and planned number of employees related to acquis in the field of trans-European energy networks is expressed, i.e. contained in the total number of employees for acquis in the area 3.15. ENERGY

3.22. REGIONAL POLICY AND THE COORDINATION OF STRUCTURAL INSTRUMENTS

3.22.1. REGIONAL POLICY

3.22.1.1. State of play

Regional imbalance in the development rate of certain areas in Serbia are one of the greatest in Europe and it has been increasing year after year. According to the development sensitivity index, the ratio between the most developed county and the least developed one is 1:7, while the ratio between the most developed municipality and the least developed one is 1:15. However, the comprehensive underdevelopment of Serbia in comparison to the EU average represents an even more serious problem. The average **GDP per capita** in Serbia in 2006 amounted to only \$4,199. Unemployment in Serbia (of 18.8 %) is still one of the highest in the region and a distinct **trend of negative natural growth (depopulation of areas)**. Therefore, big investments in economic, social and ecological infrastructure are necessary in order to create the prerequisites for the development of small and medium enterprises, for the attraction of big investments and for the increase of the life quality for citizens.

Taking into account the above mentioned problems, the pillar of active regional development policy of Serbia is the increase of employment and stimulation of sustainable economic development on the EU path. The objective of the state is to create economically strong development regions in compliance with the European standards which would be able to effectively use the available EU funds so as to satisfy socio-economic needs of the citizens and economy.

Legislative framework

The Law on Territorial Organisation of Serbia («The Official Gazette RS» 129/07) proscribes that the territorial organisation of the Republic of Serbia comprises of: 150 municipalities (minimal number of citizens is 10, 000), 23 cities (minimal number of citizens is 100, 000) and the city of Belgrade - as territorial units and two autonomous provinces (Vojvodina and Kosovo and Metohija) - as a type of territorial autonomy. Serbia does not have regions and the formation of regional development agencies has been on an ad hoc basis, mostly with assistance of donors and without an adequate legal and institutional framework regulating this process.

The first serious step in solving the regional development problems was taken by the adoption of **The Strategy of Regional Development of Serbia for the period from 2007 to 2012** («The Official Gazette RS» No. 21/2007) by the Government in January 2007. By this Strategy, basic development priorities of the regional development of RS and the methods for achieving them are defined in a comprehensive and consistent way for the first time.

Institutional framework

The regional development policy of Serbia is created and implemented by the Ministry of Economy and Regional Development, regional development field. The **Ministry of Economy and Regional Development** was established by the constitution of the Government in May 2007 and the adoption of the Law on Ministries («The Official Gazette RS» No. 48/07). Within the Ministry, a State Secretary for regional development was appointed whose competences are the Sector for Regional Development Policy and the Sector for the Realisation of Development Projects.

The Sector for Regional Development Policy works on the analysis of development needs and possibilities, draft of the laws and other regulations, draft of development strategies, proposals of development programs and projects, as well as the planning and implementation of necessary trainings with reference to the regional development. In addition, the Sector works on the programming of IPA funds in the regional development field, as well as on the EU integration in the harmonisation of the regulations and laws with the EU regulations. The total number of employees in the Sector for Regional Development Policy comes to 17. At this moment, 12 employees work in the Sector, including the administrative staff.

In cooperation with a broad circle of partners on local, national and international level, the Ministry of Economy and Regional Development made the first Annual Operational Plan (AOP) for 2008 in which basic short term and middle term objectives, priorities and projects are defined. It is planned for the AOP to be the basis for the adoption of the programme budget of the Republic of Serbia.

The Sector for the Realisation of Development Projects realises the projects for the development of industrial zones, business incubators and local utility infrastructure which are financed from the National Investment Plan funds. In 2007, the Sector for the Realisation of Development Projects initiated the realisation of 192 infrastructure projects with the value of 50 million euros. In 2008, the Sector will realise 222 infrastructure projects (114 of them initiated in 2007, 108 new ones) in the total amount of € 55 million. The total planned number of employees in the Sector for the Realisation of Development Projects is 23. Currently, 14 state officers are employed, including the administrative staff.

A credit program for small and medium enterprises and entrepreneurship in undeveloped municipalities in the amount of around € 25 million annually is implemented through the Development Fund. The Development Fund the Republic of Serbia was established by the Law on the Development of RS («The Official Gazette RS» No. 29/92 and 107/05) with an aim to stimulate a balanced economic and regional development, improve the competitiveness of local economy, stimulate craftsmanship, employment and the development of the capital market. The Fund is 100% state owned and it exclusively deals with crediting mostly small and medium enterprises and entrepreneurs. The Fund does not deal with financial means dedicated to development projects financing. There are 50 employees in the Development Fund including technical assistance staff.

3.22.1.2. Short-term priorities

Legislative framework

- The adoption of the law on regional development

In autumn 2007, the work on the **draft of the first Law on Regional Development was initiated**. In spring 2008, the draft of the Law was completed. Consultation on the draft is in progress. The draft of the law is harmonized with the Law on the Confirmation of the European Charter on the Local Administration (“The Official Gazette RS – International contracts”, No. 70/2007), i.e. the European Charter on LS – ETC (No. 122 – European Council Act), as well as with the Chapter 22 *Acquis Communautaire*.

The draft of the Law on Regional Development regulates the objectives and rules for the encouragement of regional development, development documents, institutional organization for the management of the regional development of the Republic of Serbia; development indicators and ranging of the local self- administration units; development regions harmonized with the NUTS methodology, measures, incentives and financial resources for the implementation of the regional development policy, as well as the supervision and evaluation of the regional development policy. The Law on Regional Development should present a basis for the adoption of regional and sector development programs, as

well as of adequate laws and by-laws which would regulate regional and economic development issues more closely.

The draft of the Law on Regional Development includes the EU principles in the field of regional policy and structural funds: partnership, subsidiarity, coordination, harmonisation with the EU regulations, programming, cofinancing, publicity and transparency. The drafting process included continuous broad consultations with public, private and civil sector. In addition, through the European Agency for Reconstruction, the European Union supported the process by the engagement of three experts through the CARDS 2006.

- **The adoption of a set of by-laws necessary for the implementation of the Law on Regional Development**, within the competence of the Ministry of Economy and Regional Development. The following by-laws should be adopted:
 - The decree on the structure and methodology for the draft of development documents
 - The decree on nomenclature of units territorial for statistics (NUTS) prepared by the Statistical Office of Serbia in cooperation with the Ministry of Economy and Regional Development. Consultations are in progress.
 - The decision on the establishment of a unique development list of local self-administration (classification of municipalities in accordance to their economic development rate level), prepared by the Republican Development Bureau in cooperation with the Ministry of Economy and Regional Development. Consultations are in progress.
 - The act on the establishment of the Regional Development Agency
 - The decision on the conditions and criteria for the accreditation of regional development agencies
 - The decision on the conditions and criteria for the evaluation of the work of regional development agencies
 - The decision on the methodology and criteria for the supervision and evaluation of the effects caused by the measures and incentives of regional development policy.
- The adoption of the Law on Amendments and Supplements on the Law on the Development Fund which will innovate the functioning of the Fund.

Institutional framework

Taking into account an ever more intensive EU integration process, it is planned to work on an intensive capacity strengthening of the competent Ministry by the end of 2009, especially in the light of the preparation for DIS accreditation award for the third IPA component. It is also necessary to increase the **number of employed experts** who understand EU integrations and regional economic development. Intensive instructions and professional trainings of the employees in the Ministry of Economy and Regional Development are essential for the preparation, adoption and implementation of relevant strategies, laws and regulations which are yet to be adopted. A comprehensive education and promotion of the regional development concept is envisaged in all regions of Serbia. To that end, trainings for regional development agencies and local administration are planned in order to identify and prepare quality projects ready for financing. Trainings are also planned for the media so as to present the reform process of Serbia in the regional development and the EU integration field in the best possible way to the public.

The draft of the Law on Regional Development proscribes the establishment of a **state Regional Development Agency** as a state level institution for the implementation of regional development policy and the network of regional development agencies. The Regional Development Agency will be established by joining the Sector for the development projects implementation of the Ministry of

Economy and Regional Development with the state Agency for Regional Development of Small and Medium Enterprises and Entrepreneurship and the Agency for local utility infrastructure. The state Regional Development Agency will be in charge of the preparation and implementation of regional development programs, accreditation of regional development agencies and coordination of activities on national, regional and local level. **Regional development agencies** will be in charge of the draft of regional strategies and regional development programs for their development region (NUTS, level 3). It is planned to establish a network of 12 regional development agencies by the end of 2009 under the jurisdiction of the Ministry of Economy and Regional Development, complying with the principle implying one development region (NUTS level 3) can be presented by one regional development agency.

At this moment, the Ministry of Economy and Regional Development is not in a position to define neither the number nor the dynamics of new staff employment, i.e. the reappointment of the staff, except for the planned recruitment according to the adopted organisation structure. The information on the planned administrative capacities could be provided by the Ministry only after all the by-laws in the draft phase are defined and adopted, these by-laws being the ones which enable the implementation of the Law on Regional Development (e.g. the decision on the establishment of the state Regional Development Agency will also include the organisation structure, etc.)

3.22.1.3. Middle-term priorities

Legislative framework

- The adoption of **a set of laws, i.e. by-laws in the economic policy field** by which the measures of regional development policy would be implemented and the conditions for the structural instruments management created. It is also planned to adopt a law or by-laws related to the establishment and management of industrial or technological parks, business incubators, improved business zones, regeneration of industrial areas (the so called „brownfield“), etc. The Ministry of Economy and Regional Development is competent for the elaboration of those acts.
- **The adoption of an innovated Strategy on Regional Development.** Bearing in mind the progress Serbia has made in the meantime on institutional, legal and administrative level in the regional development field, it is necessary to innovate the Strategy on Regional Development from 2007 and harmonise it with the newly-made changes. The Ministry of Economy and Regional Development is competent for the draft of the Strategy.
- The preparation and adoption of sector strategies and sector programs in the competence of the Ministry of Economy and Regional Development (the program for the development of industrial zones and parks, program for urban regeneration, the program for the development of business incubators and business innovative centres, etc.).

Institutional framework

Approaching the EU and having access to the pre-accession funds will determine a legal and institutional structure of the regional policy and structural instruments more closely.

With reference to this, after the award of the of the candidate country status, it is planned to strengthen the national level capacities which will be in charge of programming of all five IPA funds components and draft of relevant operational programs, i.e. relevant strategies.

It is also planned to strengthen the institutions on the development region level (regional development agencies) for the implementation of IPA operation programs and regional strategies and programs.

3.22.1.4. Budgetary part

The budget of the Ministry of Economy and Regional Development in 2007 envisaged the funds of up to 5,5 billion RSD (€ 60 million). 4 billion RSD (€ 50 million) from those funds were planned for the improvement of local utility infrastructure, industrial zones and business incubators. In 2007, credits dedicated to the stimulation and development of enterprises and entrepreneurship in undeveloped municipalities in the Republic of Serbia were successfully granted. It was organized through the Development Fund and the total credits fund amounted to 1, 3 billion RSD (€ 20 million).

The 2008 budget envisages the total funds of 6,6 billion RSD (€ 82,5 million) for regional development policy implementation. 4,4, billion RSD (€ 55 million) will be invested in the construction and renovation of the capacities of the local utility infrastructure, industrial zones and business incubators; 2,2 billion RSD (€ 25 million) will be distributed for credits of Ministry of Foreign Affairs MSP in undeveloped areas. For the first time, budgetary funds are foreseen for the support to regional development agencies.

For the optimal work of the Ministry pursuing the regional development issues, it is necessary to have serious investment in the human resources development, their education, introduction of contemporary ICT equipment and software for data collection and analysis. Financial resources are also necessary for the implementation of the Law on Regional Development after its adoption. However, at this moment it is not possible to provide the exact projections of necessary resources. Still, it is clear that the resources are necessary both for the establishment of the institutional framework on both the national level (MERD, the state Regional Development Agency) and on the regional one (the network of regional development agencies). Apart from the administrative capacities building, it is necessary to continue and even intensify the investments in infrastructure and development projects which stimulate regional development.

Foreign assistance funds

The main foreign assistance program dedicated directly to regional development in 2008 is the Regional socio-economic development program, approved within the IPA 2007 Program with the value of €21 million. The program represents the continuation of the EU support to Serbia for the preparation of Serbia for a better usage of pre-accession funds as well as for the preparation of institutions on regional and local level for the usage of structural EU funds in future. Financial resources of amount to € 21 million will be dedicated to the assistance to regional development policy on the national level, for the technical support to regional development agencies and other interest groups on the local level, as well as for grants given for development projects. Bearing in mind the expressed needs of the Republic of Serbia for investments in regional development which has been a neglected field for years, it is planned to propose this program to the EU on a continuous (roll-on) principle.

It is also expected that the EC will approve the proposal of a very important project - MISP (Municipal Infrastructure Support Programme) in June 2008. This project will be focused on the preparation of project documentation and investment in the construction of economic, ecological and social infrastructure on both local and regional level. Taking into account great needs of Serbia for the construction of quality infrastructure, this project is of high importance for further regional development of Serbia. With reference to this, it will be also proposed to the EC on the roll-on principle.

A more detailed review of donor programs relevant for regional development is given in appendix. One should bear in mind that, at this moment, the Ministry does not implement the projects, but only coordinate their implementation.

BUDGETARY FUNDS ⁵⁸

Budgetary beneficiary	Budget Code	Activities financed	RSD 2007	2008
The Ministry of Economy and Regional Developmentn (the Sector for Regional Development)	411, 412, 414, 415, 421, 422, 423, 424, 425, 426, 482, 512	Operational costs of the Minsitry	183,800,000	230,000,000
	551	Implementation of the projects for the construction of local utility infrastructure industrial zones and business incubators	4,056,706,618	4,400,000,000
	621	Credits for the stimulation and development of enterprises and entrepreneurs in undeveloped municipalities in the Republic of Serbia, through the Development fund	1,300,000,000	2,200,000,000
	621	The support for the development of regional development agencies		10,000,000
Total			5,540,506,618	6,640,000,000

THE REVIEW OF CURRENT DONOR PROGRAMS 2007 -2009

⁵⁸ This budgetary funds review presents only the budgetary funds dedicated to the Sector for Regional Development. This review does not include the funds dedicated in 2007 and 2008 for the Agency for the Development of Local Utility Infrastructure and the Agency for the Development of MSP which should form the state Regional Development Agency by joining the Sector for the Projects Realization and the Sector for Regional Development.

Program title	Donor/-s	Topic	Beneficiaries	Budget	Period
Regional socio-economic development (IPA)	<ul style="list-style-type: none"> • EU (European Commission delegation) 	Capacity building on national and regional level, grants for economic development projects	Ministry of Economy and Regional Development; regional development agencies; municipalities	€ 20 million	September 2008-2011
Municipal Infrastructure Support Programme (IPA 2008)	<ul style="list-style-type: none"> •EU (IPA 2008 proposal) 	Development of economic, ecological and social infrastructure	All the municipalities of Serbia	€ 45 million	End 2009-2011
MSP-NE SERBIA	<ul style="list-style-type: none"> •EU (EAR) CARDS 2006 	Local economic development	19 municipalities of northeastern Serbia	€ 20.2 million	2007 - 2010
PRO, phase 2	<ul style="list-style-type: none"> •EU (EAR) CARDS 2006 •The Swiss Agency for Development and Cooperation (SDC) 	Local economic development	8 municipalities of southeastern Serbia	€ 9.2 million	2006 - 2009
MIR 2	<ul style="list-style-type: none"> •EU (EAR) CARDS 2005, •Embassy of Sweden (SIDA), •The Republic of Austria (ADC/ADA), •The Embassy of the Kingdom of Norway 	Strengthening of municipal capacities and civil society, public works	13 municipalities of southeastern Serbia	€ 7.5 million	to be completed during 2008
Development of industrial parks (within Serbia investm. Promotion Programme)	<ul style="list-style-type: none"> •EU (EAR) CARDS 2006 	Technical assistance in the development of strategic framework and action plan for industrial parks development	Whole territory of Serbia, with special focus on big industrial cities	€ 800,000	March – September 2008
Municipal Economic Growth Activity	<ul style="list-style-type: none"> •USAID 	Local economic development	10 municipalities of the first phase, 11 newly-connected	\$ 26.5 million	2005 - 2010

			municipalities in Serbia		
Municipal economic development in the Danube region GTZ-KWD	<ul style="list-style-type: none"> Federal Ministry for Economic Cooperation and Development of the Republic of Germany (GTZ) 	Local economic development. Technical assistance program.	4 municipalities of eastern Serbia in the Danube region (Majdanpek, Zajecar, Golubac, Sokobanja)	€ 1.5 million	2007-2010
Municipal Infrastructure Support Programme	<ul style="list-style-type: none"> EU (EAR) CARDS 2006 	The support for the preparation of project documentation for local utility infrastructure projects. Technical assistance program.	Municipalities in Serbia and public utility companies	€ 1.5 million	January 2008 – 2010
UNDP Art Gold	<ul style="list-style-type: none"> Italian Ministry of Foreign Affairs 	Local economic development	The municipalities of Macva and Kolubara counties	€ 3 million	May 2008 - 2009

3.22.2. COORDINATION OF STRUCTURAL INSTRUMENTS

3.22.2.1. State of play

For the period 2007-2013, the European Union adopted a new financial instrument for the provision of assistance to candidate countries and potential candidate countries for the EU membership – the Instrument for Pre-Accession Assistance (IPA). It is a unique pre-accession instrument for the referent budgetary period which should provide the support to the beneficiary countries during their transformation from the potential candidate country status to the candidate country status until they become the EU members. In doing so, the IPA structure clearly articulates the intention of the EU for the (potential) candidate countries to get prepared for the management of funds which will be available to them upon the EU accession, in the pre-accession period.⁵⁹ Namely, it is only when the state in the accession process gains the candidate country status and improves its management structures – until the accreditation of the decentralized implementation system (DIS) that it achieves the full volume of the availability of funds dedicated through the IPA. Therefore, through this new pre-accession assistance concept, one can constantly bear in mind the EU membership perspective, i.e. the moment the Republic of Serbia will become the beneficiary of the Structural Funds and Cohesion Fund, i.e. it will participate in the Common Agricultural Policy and use other financial instruments which are also at the disposal of the member countries. One should bear in mind that the Republic of Serbia and the European Commission have so far signed the Memoranda of Understanding which enable direct participation of Serbian institutions in the following Community programs: the Framework Program 7 (*FP 7*) for exploration and technological development; *Progress* in the employment and social policy fields;

⁵⁹ IPA consists of five components: 1) support in the transition process and institutions building; 2) cross-border cooperation; 3) regional development; 4) human resources development; 5) rural development

Culture 2007. Apart from that, since 2007, Serbia has had an open invitation for the participation in the programs *Erasmus Mundus* (high education and students' mobility) and *Europe for citizens* (civil society in the European integration process). There are ongoing negotiations on the signing of the Memorandum of Understanding for the *Fiscalis 2013* (tax policy) as well as for the Competitiveness and Innovation Program (*CIP*).

The most concrete similarities between the IPA and EU internal funds reflect the request for an independent funds implementation through a decentralized system; indispensability for the appointment of bodies competent for the funds management; multi-annual programming system and projects implementation through adequate phases, as well as obligatory (national) co-financing.

Legislative framework

Such IPA concept is defined by an adequate legislative framework and is based on the following decrees and agreements:

- **Council Regulation 1605/2002** of June 25, 2002 on **Financial Regulation** applicable to the general budget of the European Communities (amended and supplemented by the Council Regulation 1995/2006 of December 13, 2006). It is also applied on the management methods for each component envisaged within the IPA Regulation

- **Framework IPA Regulation** – Council Regulation (EC) No. 1085/2006 of July 17, 2006. The purpose of this Regulation is to provide pre-accession assistance to the beneficiary countries and to offer support in their transformation from the potential candidate country status into the candidate country status until their European Union membership. IPA Regulation is applied from January 1, 2007.

- **The Regulation on the IPA Implementation** (Commission Regulation (EC) No 718/2007 of June 12, 2007). This Regulation determines general principles for the implementation of the pre-accession assistance of the Community determined by the Framework IPA Regulation.

- **IPA Framework Agreement** between the Serbian Government and EC was signed on November 29, 2007. The Framework Agreement is an international agreement between the EC and third countries. It presents a legal basis for the cooperation between contracting parties in the field of the EU financial assistance implementation. The rights and obligations defined in the provisions of the Regulation on the IPA Implementation are transferred into the Framework Agreement, in particular, those referring to the decentralized IPA fund management, management and control systems which have to be established, as well as the management authorization transfer from the EC to the Republic of Serbia. On December 26, 2007, the National Assembly of the Republic of Serbia ratified the IPA Framework Agreement signed by the EC and Serbia. Therefore, incorporated in the local legal system, this Agreement represents a direct legal basis for the cooperation between the Republic of Serbia and the EU in the field of financial assistance implementation. The first results of its implementation reflect the signing of the Financial Agreements for the first two IPA components on April 4, 2008. The preparation of a relevant Financial Agreement for Multi-Beneficiary IPA is also in progress.

The EC and the Republic of Serbia decide on the priorities for future financing from the IPA fund. Middle-term objectives are, above all, defined by the European Partnership (later on by the Accession Partnership) and a Multi-Annual Indicative Planning Document (MIPD 2007-2009; 2008-2010, etc), as well as by complementary national strategic documents (above all the document “The needs of the Republic of Serbia for international assistance”). The Serbian Government adopts an **Action Plan for IPA Programming** on the annual level. It closely defines the activities implemented by the RS administration within the programming phase leading to the creation of the annual national IPA program. The Financial Agreement including the National IPA Program with 36 development projects

was signed on April 4, 2008 (Serbian Government and EC), establishing the legal basis for the implementation of given projects. The IPA 2008 program cycle is completed in April 2008. IPA 2009 programming started consequently and this dynamics will follow in future program cycles as well.

The activities plan for the accreditation preparation for EU funds DIS in the Republic of Serbia, adopted by the Serbian Government on April 24, 2008, represents a strategic framework for the development of structures and bodies that will overtake and implement the authorization for decentralized funds management.

Institutional framework

Period 2007-2008 is a transitional period for the Republic of Serbia since it is obliged to transit from the indirect centralized management system in which the EC delegated their prerogatives in the pre-accession instrument management to the European Agency for Reconstruction into the centralized unfocused system in which the EC delegation is the only authorized body for the conclusion of all contract in the realization phase of the projects. However, the aim is to transfer to the decentralized implementation system (DIS) in which the EC will transfer the management of certain activities to the Republic of Serbia but, however, keep the final responsibility for the general budget implementation. The Regulation on IPA implementation (Article 10) proscribes decentralized implementation as a *general method* for the implementation of the pre-accession instrument assistance. The main decentralization requests set for the Republic of Serbia refer to tender procedures, contracts conclusion and payment. The basic idea is for the institutions of the Republic of Serbia to overtake an ever bigger responsibility and ownership over the programming and management processes through the preparation for decentralized implementation, so as to gradually achieve the independence necessary for their functioning upon the EU accession. In the end, DIS introduction is an obligation overtaken by the signing of the Framework Agreement. Therefore, the Republic of Serbia will be obliged to establish adequate institutions i.e. bodies which will enable successful and lawful IPA funds usage (see the institutional part). The comprehensive building process, accreditation and further (DIS) system functioning will be supervised by adequate bodies of the Commission of the European Communities.

Within the existing institutions scheme, the key role is given to the **national IPA coordinator (NIPAC), i.e. the NIPAC technical secretariat**. The Serbian Government appointed the Deputy Prime Minister as the national IPA coordinator on May 1, 2007 and simultaneously established the **Sector of programming and management of EU funds and development assistance** within the Ministry of Finance for NIPAC technical secretariat.

The Sector includes two departments. One of them (for foreign assistance programming and coordination) is in charge of the coordination of the programming process of the first component within the IPA (assistance to the transition process and the institutions building). The other department (for cross-border cooperation programs) coordinates the participation of the Republic of Serbia in the cross-border programs – with the EU member countries as well as with other users of the second IPA component. The following persons are also members of the NIPAC staff: two officers employed in the Cabinet of the Deputy Prime Minister, the Assistant Minister of Finance in the Sector as a whole, the Head of the Department for the Coordination of the Development Assistance comprising of 14 employees and the Head of the Department for the Cross-border Cooperation comprising of 9 employees.

In the program period 2007- 2013, the Republic of Serbia has continued the cross-border cooperation with neighboring EU member countries (Hungary, Romania and Bulgaria – through the CARDS 2004-2005, the projects of an approximate value of € 15.7 million were realised) and has started new programs with Croatia, Bosnia and Herzegovina and Montenegro. According to the projections for the period 2007-2009, programs with the approximate value of € 38.5 million are planned to be realised.

The second IPA component also supports the participation of the Republic of Serbia in transnational and interregional programs with the member states and third countries. The Department for the Cross-Border Cooperation of the Ministry of Finance also participates in the programming/preparation of the Operational cooperation programs which identify the priorities, measures and activities which will be financed, determine the budgets for each program component, sends public calls for the selection of projects in compliance with the program rules and provides co-financing. This practically means that the second IPA component is already managed in compliance with the European funds rules, while the final institutionalization of this component is to follow with DIS accreditation and establishment of relevant bodies for the first level control, (inner) audit, etc. The expansion of the cross-border cooperation certainly sets new organizational and procedure requests as well, above all regarding the establishment of common bodies/structures on new territories included in the IPA program. So far, this Department has been functioning within a special project for the upgrade of knowledge and institutions building.

More efficient programming and usage of IPA funds sets new requests for the improvement of administrative capacities, upgrade of inter-sector coordination as well as the supervision of priorities implementation and the audit of the Multi-Annual Indicative Program Document. Therefore, efforts have been made so as to institutionalize the programming process by the establishment of the following bodies: the Commission for Programming and Management of the EU Funds and Development Assistance as well as five inter-sector Project Groups for IPA programming. The establishment of these bodies represents the preparation for the compliance with the obligations given in the Regulation for the IPA Implementation, since the introduction of DIS should lead to their transformation into adequate commissions (Articles 58, 59 and 83 of the Regulation). In this context, the newly-established Project Group for DIS Introduction works on an adequate Action Plan and the preparation of the Memorandum of Understanding for the introduction of DIS of the EU funds, to be signed by the European Commission and the Serbian Government.

3.22.2.2. Short-term priorities

Legislative framework

- The **implementation of the Plan of Activities** for the Preparation of Accreditation for DIS and the draft of an adequate Action Plan.
- The **adoption of a Decree** which will more closely define the organs, bodies and structures necessary for DIS establishment (the so called **DIS Decree**). Article 8 of the Framework Agreement with Annex A and Article 65 of the future Law on the Budget System, as well as the Article 97, Paragraph 1, Item 11 and 15 of the Constitution of the Republic of Serbia (“The Official Gazette RS”, No. 98/2006) create a constitutional and legal framework for the adoption of this Decree. The law proposer will be the Ministry of Finance.

A special legal framework should be set in order to meet the requests (of the Framework Agreement and the Decree on the IPA Implementation) for the regulation of functions and responsibilities of operational structure for each of the IPA components:

- **The adoption of the Decree amending and supplementing the Decree on principles for internal regulation and organization structure in the ministries, special organizations and services of the Government.** Prepared proposal includes an amendment which defines the obligations of the organs within whose competence are the operations relevant to the EU funds and establishment of special organizational units which, according to their volume and activities description, will be able to perform the tasks in the European integration and EU funds programming fields in an adequate way.

Pursuant to the Framework Agreement, the Republic of Serbia committed to the compliance to the **co-financing principle** as well as to DIS establishment. This principle for assistance components for transition, institutional building and cross-border cooperation is binding and therefore, it involves the provision of legislative and operational framework in a short period of time:

- The **adoption of the law on the budgetary system**. The proposal which was included in the Assembly procedure contains the amendments which, in principle, determine co-financing (Articles 2 and 28 of the Law Proposal are particularly relevant). In Articles 65, i.e. 69 and 70 of this Law Proposal, interventions were made regarding the definition of the rights and obligations of future structures managing the EU and co-financing funds. Above all, these interventions were made in the field of fund management, the function of the National Authorization Officer and the presumptions for the separation of organ responsibilities in the decentralised implementation system.

Pursuant to the Framework Agreement and the rules referred to in Article 23 on public procurement, certain needs for amendments in the ruling **Law on Public Procurement** are identified:

- **The adoption of proposed amendments in Article 7 of the ruling Law on Public Procurement** (“The Official Gazette RS”, No. 101/05) in a way programs/projects in the IPA field are defined. Local rules on public procurement procedure are not applied on these programs/projects.

Articles 18 and 29 of the Decree on the IPA Implementation proscribe that the Beneficiary has to determine the **Audit Agency** which will perform the functions described in Article 29. The Article 6 of the Framework Agreement defines the obligation of the Republic of Serbia to determine the Audit Agency pursuant to the Annex A, Item 6:

- The **amendment of the Article 5 of the Law on the State Audit Institution** (“The Official Gazette RS”, No. 101/05 and 54/07) and an addition of the competence pursuant to the ratified Framework Agreement as well as the definition of activities which the audit will refer to, pursuant to the Framework Agreement. The amendments are proposed on the assumption that the State Audit Institution will perform the activities of the Audit Agency.
- The adoption of the Strategy for the development of internal financial control in the Republic of Serbia and the adoption of an adequate Law on financial control in the public sector. These acts will represent the basis for the establishment of the decentralised financial services in the public sector organizations and determine the mandate of the central harmonization of financial management and internal control in detail, i.e. the obligation to prepare and draft the plans, to draft and implement the budget, to inform and prior to that, include an adequate method of financial control.

Compliance with the presumptions for the usage of all the IPA components and effective usage of possibilities for financing opened thereby requires, above all, a timely draft of relevant program documents:

- **The preparation of a Strategic Coherence Framework (SCF -)**, as a strategic document used for the programming of the third and the fourth IPA components for the development of the region and human resources. **The Strategic Coherence Framework** includes thematic priorities within the third and the fourth IPA components, description of objectives, list of programs with a short description of main priority axes and budgetary frameworks of earmarked financial means for a three years’ period pursuant to the Multi-Annual Indicative Financial Framework (MIFF) and MIPD, as well as the indicative budget balance of the accompanying programs for the following years within each component.

- **The draft of the Program for the fifth IPA component**, i.e. the component for agriculture and rural development. A unique national program will refer to the measures for the whole period of IPA implementation and it will include: a quantified description of the state of play, the description of the

proposed national strategy of rural development, an indicative comprehensive financial table, the description of operation structures for the program implementation including supervision and evaluation.

Institutional framework

Since the current organisation chart is such the employees in the Department for programming and coordination of foreign assistance who are responsible for the coordination programming phase (section NIPAC technical secretariat), simultaneously participating in the phases of projects supervision and evaluation, significant adjustments are necessary as well as the increase in the number of employees and the introduction of new functions and institutions so as to meet the requests of European integration process and decentralised implementation of funds in an efficient way:

- The **appointment of the Competent Accreditation Officer – CAO**, who is by definition, (the Decree for the IPA implementation) a representative of the Serbian Government or another high-rank state officer appointed by the Government, competent to issue, supervise and possibly suspend the accreditations of the National Authorizing Officer (i.e. for the system verification) and the National fund. The appointment of the officer is planned upon the end of the second quarter of 2008. It is planned to establish the accompanying organization and normative structure (1-2 officers working part time in 2008-2009 as well as to make the draft of national criteria for accreditation and criteria for NAO selection), in a bit more than a year upon the appointment (approximately the third quarter of 2009⁶⁰).

- **The appointment of the National Authorizing Officer – NAO** who will be a Head of the National Fund and bear the whole financial responsibility for system functioning, i.e. look after the legality and validity of all belonging transactions. In the period indirectly following the deadlines envisaged for CAO, the function of the National Authorizing Officer with set criteria for accreditation of operational structure and initial bases for internal control systems should be stabilized. Consequently, the fourth quarter of 2009 (NAO service should engage at least 2 officers working full time, while for the second function year, the minimal number is 4 permanently employed people)
- **The establishment of the National Fund (NF)**, a body responsible for the management of the central account on which the EC will execute the funds for the Republic of Serbia upon the signing of adequate Financial Agreement for each year. Normative presumptions for the establishment of this institution should be realised in compliance with the plan given in the legislative framework description, while considering two main options: one, present in most countries and according to which the National Fund assists NAO in all its activities and the other one in which NF basically has only the treasury function, while a special service will be in charge of assistance provision to NAO.
- **The establishment of Operational structures** for each IPA component, bodies in charge of management and implementation of assistance programs, except for those tasks performed by the people having the three functions given above. Within operational structures, it is necessary to establish Implementing Agencies (IAs), headed by the Program Authorization Officer (PAO), for those IPA components available to the beneficiary country, as well as the Program Management Units (PMUs) in the ministries, headed by the Senior Program Officer (SPO). The basis for the establishment of Operational structures for the first two IPA components is already set by the mentioned amendments to the Decree on the principles for internal regulation and organization structure in the ministries, special organizations and services of the Government.

⁶⁰ All the estimations included in this annex are approximate and liable to changes in compliance with further findings of the consultants on DIS project. Most of the data are overtaken from the analyses made so as to complete the Strategy for DIS implementation. Alike this document, these estimations are still not final.

- The **appointment of the Audit Authority (AA)**, an expert body completely independent of all other structures within the system and responsible for the verification of the management and control system functioning.
- **The establishment of the Central Unit for Harmonization** within the Ministry of Finance. This institution will put all the services for internal audit in the public sector into a network, improve the control methodology and update it pursuant to the ruling standards, organize relevant trainings and establish the criteria for issue of certificates for internal control of public finances, etc.
- **The establishment of the IPA supervision commission and IPA sector supervision commissions** which RS will be obligated to establish within DIS system, 6 months after the Financial Agreement enters into force and in agreement with NIPAC and EC. Within the same organizational scheme, there are IPA supervision sub-commissions which are established for each component from which pre-accession funds are used. The anticipation of these structures are represented by the above mentioned Commission for programming and management of EU funds and development assistance, as well as by the inter-sector Project groups for IPA programming.

3.22.2.3. Middle – term priorities

Legislative framework

- The amendment and adoption of the law, proposal and adoption of the decrees and other by-laws implementing the measures defined by the legal framework for a short time and continuing the adjustment to the coordination system of structural elements existing in the EU.

In the process, sustainability and functionality of the whole legal and institutional system, accredited with reference to DIS, require systematic regulation of certain fields. This will inevitably be solved by the adoption of relevant regulations and consistently adoption of relevant measures, especially in the following fields: more efficient recruitments in the state administration, creation of professional development, incentives policy and retaining state officers, evaluation of their work, i.e. the reduction of risks related to the state officers functions on delicate positions and the respect for ethic code. The obligations in the field of control and risk management are especially demanding.

To this end, the legislation of the Republic of Serbia, in particular the Law on state officers, but also all other relevant legal acts related to human resources, as well as financial legislation will be amended/supplemented so as to meet all the requests of the new management and control environment.

The specification of the Strategic Coherence Framework for the program (SCF) will imply the draft of multi-annual operational programs within the regional development component and human resources development component. These programs will include in particular: the estimation of middle-term needs and objectives, the description of chosen strategic priorities for each priority axis and approximately for each adequate measure, the total amount of the Community contributions and the national ones.

Institutional framework

The approaching the EU and the availability of pre-accession funds will determine in more detail both the legal and institutional structure of regional policy and the coordination of structural instruments.

With reference to this, upon the candidate country status award, it is planned to strengthen the capacities on the national level. These capacities will be competent for the programming of all the five IPA funds components and the draft of appropriate operational programs, i.e. relevant strategies.

The structures for IPA components III and IV are designed very similarly as the structures for the management of Structural/Cohesion funds. Taking into account closely specialized knowledge and skills

necessary for the management of IPA components III and IV (especially big projects – infrastructure ones for the environment and transport sectors), as well as a different structure of projects, accelerated preparation for the usage of Structural funds require the establishment of the following: the institution of the Strategic coordinator (who is not directly included in the program implementation and who informs NIPAC on the coordination of assistance for the third and the fourth component); one body for each IPA component as well as the intermediary bodies which will be given the competence as necessary in the fields of regional and human resources development.

Taking into account the special requests for the beneficiary country in the case of the fifth IPA component implying the establishment of decentralised system without prior control by the EC, relevant institutions in Serbia should prepare special plans for accreditation of this component. The projects realised through the IPA rural development component should enable sustainable agricultural and rural concept in the pre-accession period as well as assist in the introduction of legal achievements of the Community regarding the common agricultural policy and other relevant policies.

In compliance with the dynamics of the adoption of competences for the program implementation which will be implemented through the EU funds, timely and continuous capacity building will be provided through the realization of the plan for state administration training for DIS.

3.22.2.4. Budgetary part

When referring to the review of certain institutional requests and projections for employment needs in state administration, according to the results achieved so far, one can mention indicative costs/needs which will be only a part of request in the initial phases of structural instruments coordination.

Namely, the Ministry of Finance of the Republic of Serbia initiated the process of estimation of existing and necessary work capacities for activities on the projects realised through the EU funds. The rationalization in the creation of these potentials reflects the intention to provide the critical mass of these capacities through the training program for current staff, even without necessary additional recruitment. The preparation of the program, adequate text-books and other material is realised in cooperation with respectable institutions so as to provide a focused, quality mobile education for the work within the IPA funds.

The analysis of the Ministry of Finance is related to the estimation of the scope of work (WLA) and expenses per each employee in (future) Operational structures in the context of the first and the second IPA component. The analysis was made based on available data on the number of projects (contracts), as well as expected tendencies for a shorter period of time. The aim of the analysis was the estimation of the number of employees which would provide effective realization of basic functions within DIS. The results indicate the following:

- *The Units for IPA programming* will engage 1-5 employees, depending on the complexity of the structure of individual ministry, i.e. whether the concrete sector covers a smaller or bigger number of priorities defined in strategic documents. To that end, the expenses for the staff in 2009 would amount of approximately to € 8.3-43 million, i.e. € 9-47 million for 2010.
- *The Units for project management* (technical implementation), pursuant to the same model for the calculation of the work scope, should include approximately 60 employees adequately organised in the ministries (approximate costs for 2009-2010 would amount to approximately € 500,000.
- Total number of trained officers engaged for the project implementation (procedure and financial implementation), calculated pursuant to the same parametres will amount to approximately to 52. For 2009, the expenses would amount to around € 434,000, i.e. for 2010 – around € 457,000. Relevant institutions for these activities in DIS system are the *Implementation Agencies*. It would be a thankless task to anticipate the method for calculated capacities to be organised in one or

more *Agencies*, since the number of *Agencies* is not defined in the Decree for IPA implementation, but it depends on the national level decision of the country beneficiary of the pre-accession funds (examples taken to make comparison indicate that often, but not exclusively, one Implementation Agency is established for each IPA component.)

Auditing services costs are designed with an example of a project with € 1 million value and the experience from the State Auditing institutions. Therefore, in the event this institution is appointed as an Audit Agency within DIS, it is estimated that the costs for 2009 would amount to € 23,000, i.e. approximately € 23,600.

An important item of “price” of the local system of EU funds management represents the so called national co-financing. Pursuant to the rules which will be applied for the realisation of the projects approved through the National program for IPA 2008-component I, co-financing is not obligatory for each project - it will be calculated pursuant to the support fields in MIPD, i.e. according to the priority axes – *political request, socio-economic development* and *European standards*. The level of co-financing differs depending on the project type (minimal amounts are: 10% for technical assistance project and 25% for investment projects). Estimated co-financing value for IPA 2008 projects, with the realisation starting in the end of 2009, will amount to € 30.26 million. MIPD 2007-2009 and MIPD 2008-2010 tendencies enable an approximate estimation of financial obligations of the Republic of Serbia for the component for the assistance to the transition process: it will be necessary to earmark 15-17% of indicative sum of annual EU assistance to the Republic of Serbia from the local budget.

If referring to the second IPA component, signing the Framework Agreement, the Republic of Serbia overtook the obligation to co-finance all the programs realised within the cross-border cooperation. According to the design, the minimal share of RS for technical assistance financing amounts to 15% of the total allocation for technical assistance per program. The total sum for all the programs for 2008 amounts to approximately € 149,000. According to the allocations for following years, the sum would amount to: in 2009 – around € 211,000 and in 2010 - € 332,000. The exact funds amount dedicated for the cross-border cooperation for 2009-2011 are not yet available. However, it is known that they will be higher than available funds for 2009 and therefore, it will be necessary to earmark €350,000 - € 400,000 for national co-financing.

Foreign assistance funds

Program title	Donor	Topic	Beneficiary	Budget
Technical assistance for the Ministry of International Economic Relations MEOH	The United Kingdom 2003, 2004, 2005	Capacities upgrade for more efficient use of donor assistance	Department for assistance coordination and development	€ 113,177 € 113,177 € 113,177
Common program for the support to Ministry of	The United Kingdom 2006	Upgrade of operational and management capacities	Department for assistance coordination and	€ 870,599

International Economic Relations MEOH		improvement of planning and management of external funds	development	
Common program for the support to Ministry of International Economic Relations MEOH	Sweden 2006	Upgrade of operational and management capacities, improvement of planning and management of external funds	Department for assistance coordination and development	€ 1,049,358
Fund for general technical assistance and programme reserve	EC CARDS 2006	Efficient projects preparation and unforeseen costs cover		€ 7.7 million
Fund for general technical assistance and programme reserve	EC IPA 2007	Efficient projects preparation and unforeseen costs cover		€ 2,83 million
Support in the preparing for the introduction of DIS in EU funds for RS	Norway 2006	The first phase of the preparation for the decentralised management of EU funds in RS	Sector for programming and management of EU funds and development assistance	€ 197,831

Program title	Donor	Topic	Beneficiary	Budget
Support to decentralised management of EU funds in RS	EC IPA 2007	Assistance for the development and implementation of the strategy for DIS establishment in RS	The Ministry of Finance	€ 2 million
Units for projects preparation and technical	EC IPA 2007	Support to the RS administration in	The Ministry of Finance	€ 6 million

assistance for administrative capacities building		meeting the IPA programming requests		
Participation in the Community programs	EC IPA 2007	Introduction of the RS administration with operation policies and methods in the EU	The Department for foreign assistance programming and coordination	€ 2 million

Contribution to the Subgroup for Regional Policy and Coordination of Structural Instruments

Table with the recruitment needs in the Division for Programming and Management of EU Funds and Development Assistance in the Ministry of Finance of the Republic of Serbia:

Name of Institution	Indicate whether the institution already exists or it is planned	Current number of employees	Planned (total) number of employees (per			
			2008	2009	2010	2011
Ministry of Finance: Group for Coordination and Programming of EU Funds	Existing	15 (10 of whom work on employment agreement)	18 ⁶¹	23	28	32

⁶¹ There is a plan to change the status of the overall number of employees (18), and persons working on employment agreement (10), so that all employees should work on permanent service agreement.

Division for Programming and Management of EU Funds and Development Assistance	Unit for Cross-border Cooperation	Existing	25 (21 of whom work on employment agreement)	25 ⁶²	30	35	40
Total			40	43	53	63	72

⁶² There is a plan to change the status of a number of employees in 2008 (without changing the total number of personnel (25)), so that there are 16 persons altogether working on permanent service agreement, whereas 9 persons would be hired on employment agreement.

3.23. COOPERATION IN THE JUDICIARY MATTERS AND BASIC RIGHTS

3.23.1. Judiciary

(Please, see Item 1.1.5, as well.)

Pursuant to liabilities set forth in Article 80 of the Stabilization and Association Agreement referring to strengthening institutions and the rule of law, the Republic of Serbia invests significant efforts into strengthening the judiciary and promoting the efficiency of judicature. The section hereof is based on short-term and mid-term recommendations defined in the European Partnership relating to the reform of judiciary and fight against corruption.

3.23.1.1. Status

3.23.1.1.1 Legal Framework

Articles 142 through 152 of the Constitution of the Republic of Serbia regulate courts and the position of judges in the Republic of Serbia. The judicial system is regulated by the following laws: Law on Organization of Courts (Official Gazette of RS, no. 46/2006), Law on the Constitutional Court, Law on Headquarters and Territory in Jurisdiction of Courts and Public Prosecutors' Offices (Official Gazette of RS, no. 42/2002), Law on the Public Prosecutor's Office (Official Gazette of RS, no. 106/2006), Law on the High Judicial Council (Official Gazette of RS, no. 61/2005), Law on Judges and Law on Training of Judges, Public Prosecutors, Deputy Public Prosecutors and Judicial and Prosecutorial Assistants.

The Law on Organization of Courts (Official Gazette of RS, no. 46/2006) sets forth principles relating to performing judiciary authority and establishment of courts. The Law hereof regulates the external structure of courts (types of courts), jurisdiction and permanence of courts, competencies of individual courts, internal structure of courts, activities of court administrations, composition and number of court staff, activities of judiciary administrations, court security activities and resources for court operations.

The Law on the Constitutional Court (Official Gazette of RS, no. 109/2007) came into effect on December 6, 2007. The Law regulates the structure of the Constitutional Court, procedures before the Constitutional Court and the legal effectiveness of the Court's decisions. The adoption of the Law was followed by the appointment of ten judges of the Constitutional Court, who took oath on December 12, 2007 and thus stepped into office. The Constitutional Court was constituted thereof, pursuant to Article 9, Item 3 of the Constitutional Law for the Implementation of the Constitution of the Republic of Serbia. The first session of the Constitutional Court, on which occasion the President of the Court was elected, was held on December 26, 2007, marking the beginning of the Court's operations.

The Law on Headquarters and Territory in Jurisdiction of Courts and Public Prosecutors' Offices (Official Gazette of RS, no. 42/2002) establishes municipal, district and commercial courts and regulates their headquarters and regions in their jurisdiction. The Law also regulates municipal courts at the territory of a same district court operating and resolving in specific types of subject matter in the jurisdiction of municipal courts. The Law also regulates the territory in the mandate of courts of appeals and establishes municipal and district public prosecutors' offices and regulates issues relating to their headquarters and territory.

The Law on Public Prosecutor's Office (Official Gazette of RS, no. 106/2006) sets forth the principles relating to public prosecutor's office as an independent state agency prosecuting the

perpetrators of criminal and other penal acts, protects constitutionality and legality by investing legal resources and undertakes other activities stipulated by Law. The Law hereof regulates public prosecutor's office, the issue of supremacy, competencies, administration in public prosecutor offices, position of public prosecutors and their deputies, the manner of election and termination of their function.

The Law on the High Judicial Council establishes the High Judicial Council, members of the High Judicial Council, the mandate thereof, the position of judges and public prosecutors in the High Judicial Council, the structure of the High Judicial Council, the process of decision-making in the High Judicial Council and issues relating to the Rules of Procedure on the High Judicial Council.

The Law on Judges (Official Gazette of RS 46/2006) regulates the basic principles relating to performing the function of a judge, their position, the manner and procedure of appointment of judges, termination of the function thereof, issues relating to the position of the president of a court and lay judges.

The Law on Training of Judges, Public Prosecutors, Deputy Public Prosecutors and Judicial and Prosecutorial Assistants (Official Gazette of RS, no. 46/2006) regulates the types and manner of conducting the training targeting judges, public prosecutors and deputy public prosecutors and judicial and prosecutorial assistants.

Articles 142 through 152 of the Constitution of the Republic of Serbia, having come into effect on November 8, 2006, regulate issues relating to courts and the position of judges in the Republic of Serbia: autonomy and independence of courts, types of courts, court decisions, permanent tenure of judicial office, termination of the function thereof, independence, non-transferability and immunity of the judge, as well as the incompatibility of judgeship with other offices, engagements and activities.

Pursuant to Article 175 of the Constitution and Article 9 of the Constitutional Law for the Implementation of the Constitution of the Republic of Serbia, the Ministry of Justice drafted the Law on the Constitutional Court. The Law was adopted at the session of the National Assembly held on November 24, 2007 and was issued in Official Gazette of RS, no. 109/07 as of November 28, 2007. The Law came into effect on December 6, 2007. The Law regulates the organization of the Constitutional Court, procedures before the Constitutional Court and legal effectiveness of its decisions. The adoption of the Law was followed by the appointment of ten judges of the Constitutional Court, who took oath on December 12, 2007 and thus stepped into office. The Constitutional Court was constituted thereof, pursuant to Article 9, Item 3 of the Constitution Law for the Implementation of the Constitution of the Republic of Serbia. The first session of the Constitutional Court, when President of the Court was elected, was held on December 26, 2007, marking the beginning of the Court's operations.

At the motion of the Government, the National Assembly adopted the National Judicial Reform Strategy on May 25, 2006. The Government adopted the National Action Plan for Implementing the Strategy in July 2006. The National Strategy aims at establishing the rule of law and legal safety, by means of reform of judiciary bodies and overall judicature, maintaining and strengthening the trust of citizens in the judicial system of the Republic of Serbia and achieving progress in the process of the European Union accession. The achievement of effective judicature is based on four key principles defined in the National Judicial Reform Strategy: independence, transparency, accountability and efficiency.

INDEPENDENCE	TRANSPARENCY	ACCOUNTABILITY	EFFICIENCY
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Independent management	Open process of appointment, advancement, competencies and termination of the judge's function	Clearly defined standards for assessing the success of performing the judge's function and work outcomes	Better access to the judiciary
Independent budget agency	Appropriate access to information from court registries and procedures	Effective management of cases	Standardized system of training and professional advancement of the employed
Independent establishment of the general framework and internal organization and operations of courts	Promoted relation with the public and participation of the public	Effective utilization of resources in judiciary and prosecution	Modernized network of courts

The Criminal Proceedings Code (Official Gazette of RS, no. 46/06) extends the authority of public prosecutors and amends the role of public prosecutors in criminal proceedings with relation to the currently effective Criminal Proceedings Code.

The main stages of criminal proceedings pursuant to the Criminal Proceedings Code are: pre-trial investigation, pre-trial proceedings (including investigation, raising the charges and examination of the charges) and the main proceedings (including the preparations for the main trial, main trial and reaching a decision).

Although all the abovementioned stages of proceedings contain amendments to the wider and/or specific competencies of public prosecutors, it may be said that the main amendments relate to the pre-trial investigation and investigation processes. A provision of Article 45 of the Criminal Proceedings Code stipulates that a public prosecutor is, *inter alia*, authorized to conduct pre-trial investigation in case of criminal offences prosecuted *ex officio* (and direct activities of police in the pre-trial investigation by issuing binding warrants or by direct management), to make decision on conducting investigation and conduct investigation by bringing evidence to the fore.

The abovementioned provisions harmonize the criminal proceedings in Serbia with practice elsewhere in the world, dominated by criminal proceedings where investigation falls within the mandate of the prosecutor or police supervised by the prosecutor, meaning that the previous concept of investigation and pre-criminal proceedings has been altered. This means that the pre-criminal proceedings are replaced with pre-trial investigation. The difference does not boil down to mere terminology, since pre-trial investigation is integral to criminal proceedings, which was not the case with pre-criminal proceedings.

Previous legal instruments envisaged that investigation be led by the investigating judge, wherefore the public prosecutor was rather passive in the procedure in the sense that he/she was waiting for the judge to finalize the investigating activities so as to raise the charges based on the known facts and collected evidence. However, the prosecutor is becoming the decisive factor in pre-trial investigation and investigation, which calls for an active approach of the public prosecutor and enables more in-depth knowledge of the case in question and/or more informed decision-making on potential raising of charges.

3.23.1.1.2. Institutional Framework

Pursuant to the Law on Organization of Courts (Official Gazette of RS, no. 46/2006), judicial authority in the Republic of Serbia is in the mandate of courts of general jurisdiction and specific courts. Courts of general jurisdiction include the municipal courts, districts courts, courts of appeals and the Supreme Court of Serbia. Specific courts include commercial courts, the High Commercial Court, misdemeanor courts, the High Misdemeanor Court and the Administrative Court. The Supreme Court of Serbia is the highest instance court in the Republic of Serbia. Municipal courts are established covering a territory or several municipalities. Appellate courts are established to cover a region of several district courts. Commercial courts are established to cover a territory of several municipalities. Misdemeanor courts are established to cover a territory of one or several municipalities.

The Law on the Constitutional Court (Official Gazette of RS, no. 109/2007) regulates the work of the Constitutional Court, procedures before the Court and legal effectiveness of its decisions. The Constitutional Court decides on issues in its mandate set forth in the Constitution of the Republic of Serbia and performs other activities stipulated by the Constitution and law. Decisions of the Constitutional Court are final, enforceable and binding.

The Law on the High Judicial Council (Official Gazette of RS, no. 63/2001, 42/2002, 39/2003, 41/2003 – amendment, 44/2004 and 61/2005) establishes the High Judicial Council. The Council proposes to the National Assembly the selected presidents of courts, judges, public prosecutors and deputy public prosecutors, appoints lay judges and performs other activities set forth by law. The High Judicial Council gathers five permanent members and eight invited members, judges and public prosecutors. There are six invited member judges and two invited member public prosecutors. Permanent members of the High Judicial Council are the President of the Supreme Court of Serbia, Republic Public Prosecutor and minister in charge of justice, as part of their official duties, a member lawyer selected by the Bar Association of Serbia and a member selected by the National Assembly. The National Assembly elects the permanent member of the High Judicial Council among three candidates put forward by the Supreme Court of Serbia.

The Judicial Center is an institution in charge of conducting programs of basic, specialized and permanent training and professional advancement programs for persons holding judicial functions and the employed in the judiciary in Serbia. The Judicial Center was founded by the Republic of Serbia – the Ministry of Justice, on the one hand, and the Association of Judges of Serbia, on the other, pursuant to the Establishment Agreement signed in 2001.

The aim of founding of the Judicial Center is to design and implement programs of training, advancement and upgrading knowledge and skills of judges, prosecutors and other employees in judiciary, introduce contemporary standards of the international legal system and court practice in place in the developed legal systems, as well as new legal institutes and regulations as a part of the European integration process.

3.23.1.2 Short-Term Priorities

3.23.1.2.1. Legislation

A set of laws regulating judiciary were developed at the beginning of 2008: Law on the Organization of Courts, Law on Judges, Law on the High Judicial Council, Law on Public Prosecutor's Office, Law on the State Council of Prosecutors, Law on Headquarters and Territory in Jurisdiction of Courts and Public Prosecutors' Offices. Expert opinion was obtained from the Council of Europe.

The new Law on Organization of Courts shall delineate the competences of the High Judicial Council and the Ministry of Justice with regard to activities of judicial administration. It should be emphasized that a number of activities which have been in the mandate of the Ministry of Justice (e.g. maintenance of personal records of judges) shall be overtaken by the High Judicial Council. It should also be emphasized that the law envisages the division of competencies of the two agencies in the sense that the High Judicial Council shall become a direct executor of the budget of the Republic of Serbia relating to salaries of judges and material costs for the work of courts. This ensures a full financial autonomy of judiciary. Furthermore, the law envisages that the High Judicial Council comprises an administrative office, so that the Ministry of Justice no longer performs expert and administrative activities on behalf of the body, which used to be the case with the High Judicial Council and which shall be terminated upon the date of effectiveness of the new law.

The Draft Law on Judges sets forth in detail the manner of appointment of judges and conditions for performing the function of a judge. The Law specifically defines the conditions for electing a judge. The criteria for assessing the conditions are stipulated by the High Judicial Council. The Law defines mandatory evaluation of the work of judges, expressed by marks. Evaluation of judges' work is taken into account when appointing judges to perform permanent judge functions, appointment to a high court, termination of mandate and increase or reduction of salary.

A novelty to be introduced by the new law on judges is the introduction of the disciplinary procedure for judges. The Law defines the concept of disciplinary misdemeanor, disciplinary sanctions, disciplinary procedure and bodies for maintaining the disciplinary procedure. The Law envisages that the Disciplinary Prosecutor and Disciplinary Committee are the bodies to maintain the procedure, whose membership is defined by the High Judicial Council. A judge entering disciplinary procedure is entitled to defense and an attorney and may lodge an appeal to the High Judicial Council on the decision of the Disciplinary Committee.

The Law shall regulate in detail the reasons for terminating the judges' function. The function thereof may be terminated at a personal request of a judge, due to the termination of the length of service, upon terminate losing of labor capacities required for performing the function, when a judge appointed for the first time is not elected to perform the permanent function of a judge and upon dismissal. The Law specifies the reasons for relieving of duty and the procedure thereof. A judge may be relieved of duty due to a sentence on account of a criminal offence to serving at least six months in prison and/or offence deeming him unworthy of the judicial function, the judge's unprofessional performance of the function or for committing severe or repeated disciplinary misdemeanor. The procedure for relieving of duty is maintained by the High Judicial Council. A judge entering the procedure is entitled to defense. When the High Judicial Council makes a decision on relieving a judge of duty, the judge is entitled to lodging an appeal to the Constitutional court.

Pursuant to the liability defined in Articles 5 through 7 of the Constitutional Law on Implementing the Constitution, the Ministry of Justice developed the Draft Law on the High Judicial Council, elaborating the Constitutional provisions relating to the body. Expert opinion of the Venice Committee of the Council of Europe was provided.

Among other solutions envisaged by the abovementioned draft document, an instrument should be underlined relating to proposing candidates to the National Assembly for appointing elective members of the High Judicial Council. The candidates among judges are proposed according to the election procedure in which judges directly elect candidates by means of secret ballot, wherefore two candidates with the highest number of votes from each list of candidates are proposed to the National Assembly. The National Assembly is obliged to select one of the candidates. The total of six lists of candidates is envisaged (a list per each elective member among judges), representing an instance and/or the type of courts. When it comes to elective members among attorneys-at-law and professors of the

Faculty of Law, two candidates are proposed by the Bar Association of Serbia and the general session of professors of the Faculty. The National Assembly selects one of the proposed candidates in this procedure as well.

The Constitution of the Republic of Serbia regulates the position, competencies, establishment and organization of the public prosecutor's office. The new Draft Law on Public Prosecutor's Office has been developed, and the Council of Europe has submitted expert opinion thereof. The new law on public prosecutor's office elaborates on the manner of selection of public prosecutors and deputy public prosecutors and conditions for performing the functions thereof. It should be emphasized that the law specifies conditions for selecting public prosecutors and/or deputy public prosecutors. When proposing candidates for the public prosecutor's function, the State Council of Prosecutors takes into account the professional qualifications, capacities and worthiness of the candidate, pursuant to the adopted instructions on criteria for evaluating the work of public prosecutors and deputy public prosecutors.

Furthermore, the new law prescribes mandatory evaluation of the work of public prosecutors and/or deputy public prosecutors, expressed in marks. Evaluation of work of public prosecutors and/or deputy public prosecutors represents the basis for selection, advancement, relief of duty and instigating a disciplinary procedure. A novelty contained in the new law on public prosecutor's office is the introduction of disciplinary procedure for public prosecutors and/or deputy public prosecutors. The Law defines disciplinary misdemeanor, disciplinary sanctions, disciplinary procedure and bodies for maintaining the disciplinary procedure. The Law envisages that Disciplinary Prosecutor and Disciplinary Committee, whose structure is defined by the State Council of Prosecutors, are the bodies in charge of maintaining the disciplinary procedure.

The Law defines the reasons for terminating a public prosecutor's function. The function thereof may be terminated at a personal request, due to the termination of the length of service, upon terminate losing of labor capacities required for performing the function, when a deputy public prosecutor appointed for the first time is not elected to perform the permanent function and upon dismissal. The Law specifies the reasons for relieving of duty and the procedure thereof. A public prosecutor and/or deputy public prosecutor may be relieved of duty due to a sentence on account of criminal offence to serving at least six months in prison and/or offence deeming him unworthy of the function, unprofessional performance of the function or for committing a severe or repeated disciplinary misdemeanor. The procedure for relieving of duty is maintained by the State Council of Prosecutors. The decision on relieving of duty of a public prosecutor is adopted by the National Assembly, at a motion put forward by the Government and/or based on reasons established by the State Council of Prosecutors in the dismissal procedure. The decision on relief of duty of a deputy public prosecutor is enacted by the State Council of Prosecutors. Upon a decision on termination of the function, the public prosecutor and/or deputy public prosecutor is entitled to lodging an appeal to the Constitutional Court.

When it comes to relations between the State Council of Prosecutors and the Ministry of Justice, we would like to emphasize that, pursuant to the new Law on Public Prosecutor's Office, individual activities thus far in the jurisdiction of the Ministry of Justice (e.g. maintaining personal records of public prosecutors) shall be overtaken by the State Council of Prosecutors. It should be underlined that the law envisages the division of competencies between the two bodies in the sense that the State Council of Prosecutors shall become a direct executor of the budget of the Republic of Serbia relating to salaries of public prosecutors and material costs of the public prosecutors' offices.

Article 164 of the Constitution regulates the position, structure and selection of the State Council of Prosecutors. The Article thereof stipulates that the State Council of Prosecutors is an independent body ensuring and guaranteeing the independence of public prosecutors and deputy public prosecutors. Article 165 of the Constitution regulates the following competencies of the State Council of Prosecutors: appointing deputy public prosecutors and relieving them of duty, proposing candidates to the National

Assembly upon the first appointment for the function of deputy public prosecutor, proposing candidates to the Government for the Republic Public Prosecutor and other public prosecutors.

The Draft Law on the State Council of Prosecutors has been prepared, upon which expert opinion of the Council of Europe has been obtained.

Among instruments envisaged in the draft wording, attention should be drawn to the instrument relating to proposing candidates to the National Assembly for electing elective members of the State Council of Prosecutors. Candidates among public prosecutors and/or deputy public prosecutors are proposed based on the election procedure in which public prosecutors and/or deputy public prosecutors elect candidates directly, by means of secret ballot, two of which per position with the highest number of votes are proposed for election to the National Assembly for becoming a member of the State Council of Prosecutors. When it comes to elective members among attorneys-at-law and professors of the Faculty of Law, two candidates are proposed by the Bar Association of Serbia and the general assembly of professors of the Faculty of Law. In this case, as well, the National Assembly elects one of the two proposed candidates.

The Law on Headquarters and Territory in Jurisdiction of Courts and Public Prosecutor's Office is being drafted, regulating the network of judicial bodies of the Republic of Serbia and their territorial jurisdiction.

The adoption of a unique set of judicature laws is vital for the reform of judicature, primarily for the reason of establishing new judicial institutions (the Supreme Court of Cassation, Courts of Appeals, the Administrative Court, the High Misdemeanor Court). This shall significantly contribute to the promotion of efficiency and relief of burden upon the existing network of courts.

The new laws envisage the establishment of the independent judicial budget, as well as the development of clear and measurable criteria for the selection, advancement, disciplinary procedure and relief of duty of judges and prosecutors, which shall govern the work of the Supreme Judicial Council and the State Council of Prosecutors when assessing the work of judges and prosecutors.

Public Notary Office

The Ministry of Justice is drafting the Law on Public Notary Office. The adoption of the Law is expected towards end 2008. The Law shall govern the organization of the Public Notary Office, conditions for establishing the public notary profession, rights and liabilities of notaries public, relief of duty of notaries public, issuing and certifying public notary acts, public notary books and maintenance thereof, disciplinary accountability of notaries public, the chamber of notaries, public notary fees and supervision of the work of notaries public.

Dealing with the Backlog of Cases

The Framework Criteria for Establishing the Number of Judges in Courts of General Jurisdiction and Special Courts (Official Gazette of RS, no. 61/06) is effective currently in Serbia, envisaging the number of cases which a judge is to resolve within a month per each subject matter depending on the type of court (municipal, district, commercial, appellate, administrative, the Supreme Court of Cassation). The year 2009 should see the promotion of assessment of judges' work, by establishing the so-called system of ponderers which shall promote and analyze more objectively the work of all individual judges. Furthermore, the new set of judicial laws shall distinctly regulate the criteria for selection, advancement of judges, disciplinary accountability and relief of duty thereof, which shall be based on

the work of individual judges and shall significantly contribute to the increase of accountability and efficiency of judges.

The set of judicial laws envisages the specific solution to stepping up and enabling the resolution of backlog cases by engaging retired judges. The High Judicial Council may prolong the length of service of a judge solely with the reason of resolving the undertaken cases and the backlog of cases where a decision has not been reached for a period longer than two years.

Significant efforts are invested into a more effective and comprehensive training of judges so that they may achieve higher efficiency and the quality of work by gaining knowledge and a higher level of skills. The Law on Training Judges, Public Prosecutors, Deputy Public Prosecutors and Judge and Prosecutors Assistants (Official Gazette of RS, no. 46/06) has been adopted, establishing the type and mode of performing training with the aim of gaining and advancing theoretical and practical knowledge and skills necessary for independent, expert and efficient performance of judicial duties. There are several types of training: initial (attended by holders of a judicial function prior to entering into office and judicial and prosecutorial assistants) and permanent (attended by holders of a judicial function). The High Judicial Council nominated members of the Training Committee, who established the draft programme of the initial training which was adopted by the High Judicial Council. Accountability for the training and professional advancement of judges lies with the Judicial Training and Professional Advancement Center. Significant attention is paid to the training of judges and public prosecutors on Article 6 of the European Convention on Human Rights and Fundamental Freedoms, relating to conducting the trial within reasonable time.

Rationalization of the Court System, Network of Courts and Prosecutor Offices

Information analyses conducted in the previous period identified and recognized the weaknesses of the judicial system of Serbia, reflected in the phenomenon of insufficient usage of information technologies and automated systems, resulting in permanent usage of inefficient and labor intensive practices.

In order to eliminate the previously mentioned weaknesses, the Ministry of Justice committed itself to implementing a programme of reforms in order to achieve a more effective, adequate and modern judicial information system. Therefore, the Ministry of Justice undertook the implementation of activities of harmonization of judicial reform plans and programmes with computerization plans in the course of 2007. The analysis of IT equipment in all judicial bodies was performed, as well as the assessment of their needs in terms of IT equipment. The implementation and harmonization of plans, programmes and projects of judiciary computerization of the Republic of Serbia was continued through donor and budget-financed projects, so as to avoid overlapping in terms of investments targeting individual judiciary segments. The implementation of already initiated projects was continued so as to pave the way for ICT development in judiciary and initiate harmonization of IT standards with EU standards.

The structural construction of the judicial information system by means of constructing a comprehensive computerized communication network with centralized programme support by end 2012 should enable the achievement of the following objectives:

- Faster resolving of cases in courts, registry and control over the status of cases by introducing automatic and electronic maintenance of court cases and statistics;
- Transparency of operations and decisions of courts reflected in the availability of general information and information on the status of cases, as well as decisions by providing an overview of court practices;

- Accessibility to e-data contained in registries maintained by the Ministry of Justice (registry of judges, public prosecutors, court interpreters, forensic experts and notaries) and the Department for Enforcement of Penitentiary Sanctions of the Ministry of Justice (introduction of electronic databases on apprehended and employed persons, introduction of electronic prison statistics, etc.) with the aim of higher efficiency and full computerization of prisons and other institutes. In order to achieve this goal, registry maintenance procedures should be reengineered and a system of registries should be introduced instead of a large number of small and statistical registries with the possibility of monitoring dynamic changes (by developing a digital archive of the Ministry);
- More efficient administrative operations of the Ministry of Justice, courts, public prosecutor office and other judicial bodies;
- Internet-based real-time linking and exchange of data with other public administration agencies, primarily the Ministry of Interior, the Ministry of External Affairs, the Ministry of Finance and the Government of the Republic of Serbia;
- Raising the general level of protection and security of information systems and data, as well as control of operations within judicial bodies.

The achievement of the abovementioned objectives required prior steps implemented by the Ministry of Justice by end 2007 within donor (EAR, CARDS, PACO, USAID, IRZ, UNDP, Kingdom of Norway, etc) and budget-funded projects (NIP, budget of the Republic of Serbia) as short-term priorities:

- Strengthening the role of the IT Department of the Ministry of Justice with the aim of maintaining and coordinating all information projects, irrespective of the source of financing;
- Establishing the rules, procedures and working methodology;
- Equipping all judiciary bodies (courts of general jurisdiction, commercial courts, misdemeanour courts, public prosecutors' offices, institutions for enforcing penal sanctions) with computer-communication infrastructure (computers and pertaining equipment, communication equipment, LAN and access to Internet);
- Constructing a unique access point for information and application (Internet/intranet portal of commercial courts, docket/list of documents of commercial courts, judiciary network of courts of general competency and public prosecutor offices);
- Distinctly defining operating requirements of the overall judiciary system (current and future);
- Removing or upgrading unsatisfactory existing applications, integration in a unique system of satisfactory existing applications (unique access and exchange of information), procurement of new applications (standard wherever possible) and their integration into a comprehensive system of management over cases and documents entitled "Judiciary Information System" (including scanning and digital signature), regular updating of the existing electronic database of regulations and legal practices entitled "Legal Database Information System". This approach targets full computerization of courts and public prosecutor offices (full usage of electronic operations between parties to a case and courts) with the aim of shortening the duration of procedures, higher efficiency in resolving backlog of cases and cases with expired statute of limitation.
- System control, maintenance and upgrading the system (protection against malicious software/anti-virus protection, procedures in case of malfunction- backup/recovery)
- Comprehensive information-related education of civil servants employed in judiciary to use business software (software for managing cases, statistical collection of data and software for using a database of legal regulations and practices).

Enforcement of Court Decisions

The enforcement of court decisions in the Republic of Serbia is regulated by the Law on Enforcement Procedure, when it comes to enforcement of civil decisions, and by the Law on Enforcement of Penal Sanctions, when it comes to enforcement of penal decisions.

In the course of implementation of the aforementioned laws, a need for their modifications and amendments was noticed. Therefore, in cooperation with the USAID and within the framework of bankruptcy and execution procedure reform programme (BES), the Ministry of Justice has been working on possible amendments to the Law on Enforcement Procedure, with the aim of improving the existing system of enforcement of monetary claims and other debts.

Furthermore, a working group for drafting the Law on Amendments to the Law on Enforcement of Penal Sanctions was formed by the Ministry of Justice, in cooperation with the OSCE. The working group was comprised of representatives of the Department for Enforcement of Penitentiary Sanctions and experts in the field of penology. Directors of penitentiaries were consulted as well. Following the public debate, draft law was forwarded by the working group to the Ministry of Justice, so that it would undergo legal and technical adaptation before being forwarded to the Government and/or the National Assembly for adoption.

Criminal and Civil Law

Amendments to the Law on Civil Proceedings are being drafted, with the aim of contributing to more efficient court proceedings, creating better conditions for adjudicating within reasonable time, and remedying flaws which appeared in the course of application of the Law on Civil Proceedings adopted in the year 2004.

As a short-term priority, and in addition to a set of judiciary laws, adoption of the following laws has been planned:

Law on Criminal Accountability of Legal Entities, Law on Amendments to the Law on Juvenile Criminal Delinquents and Criminal Law Protection of Juveniles, Law on Confiscation of Material Gain Obtained by Criminal Offence, Law on Ratification of the Convention on Cyber-Crime with Appending Protocol, Law on Amendments to the Law on Execution of Penal Sanctions, Law on Detention within Special Detention Units and Imprisonment within Special Imprisonment Units, Law on Legal Practice, the Law on Notary Public Office, Law on Bar Examination, Law on the National Judicial Training Institute and Law on Free Legal Aid. Amendments to the Criminal Code and the Law on Mediation have been planned as well.

The establishment of the Directorate for Confiscation of Property has been envisaged by the Law on Confiscation of Material Gain Obtained by Criminal Offence. The central task of the Directorate shall be the management of confiscated assets gained by criminal offence, objects of criminal offence, material gain obtained by criminal offence and bail deposits in criminal procedure.

Enforcement of Penitentiary Sanctions

In line with the Penitentiary Sanctions Enforcement Strategy, work will continue on solving the major problems, such as: overcrowded prisons, inadequate architectural features of facilities, unfavorable structure of prisoners from the criminological point of view and in relation to types of

institutions, inadequate security equipment in the institutions and the failure to provide adequate labor engagement of prisoners in commercial units.

Construction and rebuilding of prisons, in line with EU standards, is underway; categorization of institutions is being adapted to specific needs of apprehended persons; enforcement of new forms of penalties is being developed; system of probation and post-penal treatment of prisoners is being initiated and developed; training of employees is being developed in line with programmes of the Training Centre; information and technical security systems are being developed.

3.23.1.2.2. Institutions

Draft Law on the Organization of Courts sets forth the types of courts in the Republic of Serbia and their subject-matter jurisdiction. The law stipulates that courts of general jurisdiction shall be municipal, district, courts of appeals and the Supreme Court of Cassation. Courts of special jurisdiction shall be commercial courts, High Commercial Court, misdemeanor courts, High Misdemeanor Court and the Administrative Court. As a novelty, the law envisages establishment of administrative panels within each court.

The adoption of a unique set of judiciary laws is of great significance for the judicial reform, primarily for the reason of establishment of new judicial institutions, such as the Supreme Court of Cassation, courts of appeals, the Administrative Court and the High Misdemeanor Court. This shall contribute to improved efficiency and relief of burden the existing court network is facing. Furthermore, these laws shall regulate the High Judicial Council and the State Council of Prosecutors, envisaged as constitutional categories for the first time.

It is necessary to provide material assets and/or buildings, facilities and equipment to facilitate the operationalization of the new court network, in particular the Supreme Court of Cassation, the Administrative Court, courts of appeals, the High Judicial Council and the State Council of Prosecutors, which has been the reason for delayed commencement of its functioning. Having in mind the responsibility of the Ministry of Justice, set forth by law, to provide spatial, material and technical conditions, we would like to point out that the Ministry of Justice has created all the conditions necessary for the new court network to start functioning as of January 1, 2009.

The National Judicial Reform Strategy envisages further institutional strengthening of the Judicial Centre for Training and Professional Advancement and its transformation into the National Judicial Training Institution. Capacity strengthening and transformation preparations have been underway since the adoption of the Strategy.

Simultaneously with establishing new court institutions, a thorough analysis of performance and number of cases in courts and public prosecutors' offices has been underway, on the basis of which a proposal for rationalization of the court and prosecutors' offices network shall be drafted. This process is exceedingly important for the establishment of a new, modern and efficient judicial structure. In line with clear criteria and measurable performance evaluation, this structure shall enable the speeding up of court proceedings and overcoming a big problem of Serbia's judiciary - a huge number of backlogs and cases where the statute of limitation has expired. This problem exists despite the large number of judges and public prosecutors.

The establishment of a law-governed state and the rule of law requires a reliable, up-to-date and modern way of maintaining court statistics and managing court cases, as well as the availability of relevant information on the court work and practice on the Internet. For that reason, the Ministry of Justice allocates significant assets and makes special efforts in order to improve IT technology at all levels of the system, with the aim of complete automation and modernization of the judiciary

institutions, the Ministry of Justice and the Department for Enforcement of Penitentiary Sanctions. All this should be based on experience gained from the successful implementation of SENA and LIBRA programmes, in an intelligent, integrated and cost-effective manner.

The entire system of commercial courts, as special competence courts, shall be automated. Software thereof has been developed, by means of which these courts have been fully technically equipped. The system shall become fully functional in October 2008.

Directorate for Confiscated Property Management

The Directorate for Confiscated Property Management shall be established with the purpose of performing the work envisaged by the Law on Confiscation of Material Gain Obtained by Criminal Offence, which shall be adopted in the year 2008.

The Directorate shall:

- 1) Manage confiscated property obtained by criminal offence, objects of criminal offence (Article 87 of the Criminal Code), material gain obtained by criminal offence (Articles 91 and 92 of the Criminal Code) and bail deposited within the criminal proceedings;
- 2) Estimate the value of confiscated property gained by criminal offence;
- 3) Store, keep and sell confiscated property gained by criminal offence and manage the assets thus gained;
- 4) Keep records on the property it manages under item 1, indent 1 of this Article, as well as the records on court proceedings in which decisions on such property have been made;
- 5) Participate in providing international legal assistance;
- 6) Participate in the training on confiscating the property gained by criminal offence;
- 7) Perform other operations under this law.

The Directorate shall also perform the aforementioned operations in relation to material gains obtained by means of corporate offence or misdemeanor.

These duties shall be performed by the Directorate *ex officio* or on the basis of a warrant issued by a public prosecutor or a court.

The Directorate for Confiscated Property Management shall have the status of a legal entity; its head office shall be located in Belgrade and it shall have the capacity to establish separate organizational units outside the seat. It has been estimated by the members of the working group for drafting the law that the initial number of Directorate's employees shall count 25 persons. The Directorate shall be managed by a director, who shall be appointed and removed from office by the Government, upon the proposal of the minister of justice and upon received opinion of the president of the Supreme Court of Cassation and Public Prosecutor of the Republic of Serbia. In addition to Director, the Directorate shall engage 17 employees and 7 other members of staff in charge of providing technical assistance. Remunerations of all the Unit's employees shall be regulated by positive legislation regulating income calculation and payment of all state administration employees. It is necessary to provide an adequate number of offices for the Directorate employees, as well as funds needed for covering material costs, purchase of computers and other technical equipment and education of employees for their preparation and training in efficient implementation of the Law. Since the law sets forth the responsibility of the Directorate to exercise due care in managing the confiscated property, it will also be necessary to

provide adequate conditions for storing and keeping temporarily or permanently confiscated property, regardless of the institution which shall be charged with this duty (as stipulated by the Law). All the costs of keeping and storing confiscated property shall be covered by the Directorate for Confiscated Property Management.

Based on all the abovementioned, it has been calculated that total funds to be allocated from the budget of the Republic of Serbia for the year 2009 regarding the establishment and operations of the Directorate for Confiscated Property Management shall amount to RSD 41,023,000.00. Detailed projection of total costs, listed in relation to its types and holders, has been given in the Analysis of Effects Resulting from Implementation of the Law on Confiscation of Material Gain Obtained by Criminal Offence.

The deadline for the onset of the Directorate for Confiscated Property Management is not to exceed 3 months following the adoption of the Law by the National Assembly.

3.23.1.3 Mid-Term Priorities

3.23.1.3.1 Legal Framework

- Fully functional national data system on the performance of judges;
- Clear criteria regarding financial possibilities for providing legal aid in litigation and criminal proceedings;
- Implementation of the Law on Notary Public Office shall commence not earlier than a year after its adoption. This period is necessary as notaries public will assume a part of the work which now falls within the court competency. In the stated period, by-laws should be adopted and amendments should be made to other laws related to notaries public. Furthermore, notary public examination should be administered, notaries public should be selected and notary public chamber should be established.

3.23.1.3.2. Institutions

- High Judicial Council exercises competencies set forth by law;
- When it comes to independent judicial budget, the High Judicial Council takes over full competencies over judicial budget, as of January 1, 2011;
- All judges shall be held accountable on the basis of revised standards of judicial productivity, with regular performance evaluation made by the High Judicial Council;
- National Judicial Training Institute has been established and has become fully functional;
- Court network has been rationalized and functions efficiently;
- Administration for the Enforcement of Penitentiary Sanctions functions as a unique system, construction and rebuilding of facilities has been completed, legal framework is being implemented in line with EU standards, accessibility of information and transparency of work has been accomplished, information system functions, personnel has been trained, programmes of prisoners' treatment are being realized in accordance with specific needs, alternative forms of penalties are being enforced, probation system and post-penal rehabilitation of prisoners has been established.

Dealing with Backlog Court Cases (PEP)

One of the ways of dealing with backlog court cases is the training of judges with the aim of improved efficiency and quality of work. Training is being conducted by the Judicial Centre for Training and Professional Advancement. In line with the National Judicial Reform Strategy, the Centre will be transformed into the National Judicial Training Institute.

Significant funds from the budget of the Republic of Serbia and from numerous international projects are being allocated for modernization and automation of the court network. Intensive work on the establishment of automated court statistic system and court cases management is underway. Elaboration of the model for improving the work of court administration and establishing new court professions, such as public notaries, court managers, etc. is underway as well.

By the end of year 2011, all the abovementioned measures will greatly contribute to systematic solving of this complex problem, faced both by transitional and developed countries.

Introduction of Unique Standards for Collecting Relevant Data on Judiciary (PEP)

The High Judicial Council has developed unified forms with related Mandatory Guidelines on Tabular Periodic Reports on the Performance of Courts and Judges and the Way of Entering Data into Tables, with the aim of creating a unique methodology for collecting the data on the performance of courts in relation to the number of pending cases at the onset of reporting period, number of incoming cases, number of resolved cases and the quality of work in relation to resolved cases. A table contains data on the overall performance of a court, while another table contains data on the performance of each individual judge. Courts are required to make reports on their performance (monthly, quarterly, semiannually, annually and every three years). In this way, the Ministry of Justice analyses the data collected on the work in the judiciary.

In order to solve the problems such as the large number of backlogs, inadequate penal policy, number of cases with expired statute of limitation, it is being planned, within medium-term priorities, to additionally improve the method of collecting the data required for the analysis of the courts' performance.

3.23.2. Anti-Corruption Policy

3.23.2.1. Status

3.23.2.1.1. Legal Framework

The National Strategy against Corruption was established by the Decision adopted by the National Assembly, at the initiative of the Ministry of Justice, in December 2005. The Strategy was drafted in compliance with Article 5 of the UN Convention against Corruption and fully integrates components envisaged in the UN Instructions for the Technical Implementation of the Convention.

Pursuant to liabilities established in the Decision, the Government of the Republic of Serbia adopted the Action Plan for the Implementation of the National Strategy against Corruption in December 2006. The Action Plan was developed within the Twinning Project in cooperation with the Commission against Corruption of the Republic of Slovenia. The Action Plan elaborates the recommendations set in the Strategy, with relation to activities, deadlines, competent bodies, risks and objectives. The Ministry of Justice is currently working actively on drafting amendments to the Action Plan.

The Law on Preventing Conflict of Interest while Performing Public Functions was adopted in 2004.

With the aim of harmonizing national legislation with international conventions against corruption, the Ministry of Justice forwarded the Criminal Code and the Criminal Proceedings Code to the Council of Europe for obtaining expert opinion. The analysis thereof took into account the harmonization of the regulations both with the standards of the Council of European and other international organizations. The expert opinion indicated that the Criminal Code is in full compliance with the OECD Convention.

All international instruments in the field of prevention of corruption adopted by international organizations that Serbia is a member of have been adopted:

- Law on Ratification of the Convention against Corruption of the United Nations (Official Gazette of Serbia and Montenegro - International Agreements, no. 12/2005)
- Law on Ratification of Civil-Law Convention against Corruption (Official Gazette of the RS – International Agreements, no. 102/2007)
- Law on Ratification of the Criminal-Law Convention against Corruption (Official Gazette of FRY – International Agreements, no 2/2002) and (Official Gazette of Serbia and Montenegro – International Agreements, no. 18/2005) and
- Law on Ratification of Additional Protocol to the Criminal-Law Convention on Corruption (Official Gazette of RS – International Agreements, no. 102/2007).

The Ministry of Justice received expert opinion of the Council of Europe on harmonization of the Criminal Code with all international standards in the field of fight against corruption.

The High Official Council adopted the Code of Conduct of Civil Servants. The Human Resources Management Service conducts training relating to prevention of corruption, in addition to the training in the field of public procurement and accessibility of information.

The field of internal audit in the public sector is regulated by the Law on Budget system and Rules of Procedure on Common Criteria for Organizing and Standards and Methodological Instructions for Conducting Internal Audit in the Public Sector, Instructions for Conducting Internal Audit (containing: Model for Developing the Internal Control Charter, Model for Developing the Ethical Code Applied by Auditors...) and the Draft Strategy for Developing Internal Financial Control in the Public Sector.

There were 112 internal controllers at the central level and 25 beneficiaries of public resources in the public sector at the beginning of 2007. Seven training cycles were conducted, covering 155 participants from 48 public sector organizations.

With the aim of further internal control development, the following instruments are planned to be drafted and adopted: Strategy for Developing Internal Financial Controls in the Public Sector, Law on Internal Financial Controls in the Public Sector, Rules of Procedure on Conditions and Procedure of Taking Exams for Gaining the Title of Public Sector Authorized Internal Auditor, as well as the programme for taking exams for gaining the title of public sector authorized internal auditor.

3.23.2.1.2. Institutions

In July 2006, the Government of the Republic of Serbia established the Committee for the Implementation of the National Strategy against Corruption and Recommendations of the Group of States against Corruption (GRECO). Tasks of the Committee include the preparation of the Action Plan

for implementing the Strategy against Corruption and monitoring the implementation thereof, as well as monitoring the implementation of GRECO recommendations.

The Department against Corruption of the Republic Public Prosecutor's Office was established pursuant to the Plan and Programme of the Office in 2008.

The establishment of the Department against Corruption in the Republic Public Prosecutor's Office and the Departments against Corruption in district public prosecutor offices of Belgrade, Kragujevac, Niš and Novi Sad is the result of organized changes conducted at the initiative for extending capacities for fighting against corruption. These two organizational changes were influenced by recommendations of the Council of Europe on departmentalization and specialization in the public prosecutor's office. These changes were also influenced by the participation of the office in the UNDP project entitled – Support for the Institutional Development to Confront Public Corruption. A list was established of corruptive criminal acts which are the subject of specialization in procedures of public prosecutor offices. The Department shall deal with cases of criminal corruption-related and economic crime offences related to corruption involving state officials, persons elected by the National Assembly, as well the appointed and nominated persons, cases of interest for the wider public, as well as cases related to close cooperation with appropriate ministries requiring careful coordination with other state agencies.

The Law on Prevention of Conflict of Interest while Performing Public Functions envisages the establishment of the Republic Committee for Resolving Conflicts of Interest. The Republic Committee is an independent and autonomous body and resources are provided from the budget of the Republic of Serbia. Members of the Republic Committee were selected by the National Assembly of the Republic of Serbia towards end 2004, and the first constitutional session was held on January 18, 2005.

The Committee is in charge of investigating the conflict of private and public interest of officials who are elected, appointed or nominated to work in bodies of the Republic, autonomous province, local self-government and management bodies of public enterprises. The Law sets forth regulations regarding the conflict of interest, reception of gifts and establishment and competencies of the Committee.

The establishment of the Central Harmonization Unit is planned as a department of the Ministry of Finance, as well as the establishment of internal audit units at the level of cities and Vojvodina and the implementation of the programme for taking exams for gaining the title of public sector authorized internal auditor.

The Law on the State Audit Institution (Official Gazette of RS, no. 101/2005 and 54/2007) came into effect on November 29, 2005. The Law thereof establishes the State Audit Institution as a highest instance state body for auditing public resources in the Republic and sets forth its operations, legal status, competences, organization and the mode of operation. Pursuant to the Constitution and the Law, the Institution is an independent and autonomous state body.

The Law stipulates that the highest body of the Institution is the Council, gathering five members (president, vice president and three members). The Council of the State Audit Institution was selected on September 24, 2007. The election of supreme state auditors shall be conducted and audit and supporting services shall be established in the course of 2008. Activities of the Institution in the first half of 2008 shall be directed towards continuing work for ensuring conditions for unimpeded operations (primarily employment and training of necessary human resources).

Technical assistance of the European Union is expected for the establishment of the Institution (education of staff and establishment of appropriate audit-related information technologies), which shall create preconditions for establishing the Institution for Auditing European Union Funds.

3.23.2.2 Short-Term Priorities

3.23.2.2.1. Legal Framework

Amendments to the Criminal Code in the sense of harmonization with the ratified international instruments are planned as a short-term priority.

The Law on Anti-Corruption Agency should be adopted.

Draft Law on Anti-Corruption Agency, envisaging the Agency as an autonomous state body for fighting against corruption in Serbia, was developed in line with international standards, primarily Article 6 of the UN Convention against Corruption and specific GRECO recommendations. Draft Law was amended in line with the obtained expert opinion provided by the Council of Europe. The Law regulates establishment and operations, legal status, competencies, organization and the manner of Agency's operations and stipulates rules regarding prevention of conflict of interests when performing public functions, reporting assets of persons performing public functions and introduces integrity plans.

Pursuant to Draft Law, the Agency is competent, *inter alia*, for supervising the implementation of the Strategy against Corruption, Action Plan and sector action plans, issues relating to conflict of interest and control over financing political parties.

The Law integrates three recommendations of the Group of States against Corruption relating to international corruption prevention standards:

- Definition of officials is significantly expanded – an official is every elected, appointed or nominated person to perform a function within bodies of the Republic of Serbia, autonomous province, municipality, town and the City of Belgrade, as well as within bodies of public enterprises, institutions and other organizations founded by the Republic of Serbia, autonomous province, municipality, town and the City of Belgrade and other persons appointed by the National Assembly,

- The value of gifts an official is allowed to receive is reduced – an official may accept an appropriate gift of value not higher than 5% of the average monthly net salary in the Republic of Serbia and/or appropriate gifts received during a calendar year whose total value is not higher than an average monthly net salary in the Republic of Serbia

- The issue of an official transferring from the public into the private sector following the termination of the public function thereof in line with the UN Convention – upon termination of the public function, the official may not enter employment and/or business cooperation with a legal entity, entrepreneur or international organization performing activities relating to the function the official used to perform for a period of two years following the termination of the function, unless a consent has been provided by the Agency.

According to a novelty introduced, an official is obliged to return the assets gained while performing another function contrary to law. Provisions relating to preventive fight against corruption are significantly extended, issues relating to conflict of interest and reception of gifts are regulated in more detail and provisions referring to penalties are expanded as well. The Law envisages a novelty in our system: integrity plans. The plans represent the self-analysis of a state body on its susceptibility to corruption and include measures which should be undertaken to decrease risks of corruption.

The Law envisages that operations of the Republic Committee for Resolving Conflicts of Interest shall be terminated upon the Law coming into effect.

The section of the Action Plan for Implementing the National Strategy against Corruption relating to activities and deadlines for achieving the recommendations set in the Strategy is being revised.

Draft Law on Public Procurement has been prepared by the working group comprising representatives of the Ministry of Finance, Public Procurement Administration and the Commission for Protection of Rights. Key amendments are the following: promoted protection of rights in public procurement procedures, exceptions with regard to the application of Law are narrowed, a more efficient mechanism for monitoring and controlling public procurement processes is envisaged by increasing transparency. It also envisages distinct legal obligation of the Administration to submit all the perceived irregularities in public procurement procedures to the State Audit Institution or another competent institution.

Transparent System of Reporting Assets by Officials

Law on Preventing Conflict of Interest does not envisage public access to information on assets of officials (save for the budget revenues) maintained in the Registry of Assets of the Republic Committee. Information on assets of officials are used in the Committee in case of instigating a procedure, and the service of the Committee verifies whether the stated data are complete and correct by official duty.

It has been established that there are 13,000 officials in the Republic of Serbia liable to submit reports. The Republic Committee received the total of 19,419 reports in the period between its establishment until 2008 and registered 9,976 officials. All the received reports have been entered into the Registry of Assets of Officials.

The Republic Committee received the total of 6,788 reports in 2007. The majority of reports were submitted by the officials at their own initiative.

Draft Law on Anti-Corruption Agency envisages that the following data shall be deemed public: information on salary and other revenues that an official receives from the budget and other public sources, information on the public functions the official holds, information deemed public in line with regulations and other data the official agrees to turn public. The information shall be published at the Internet presentation of the Agency.

3.23.2.2.2. Institutions

Following the adoption of the Law on Anti-Corruption Agency, the Agency should be set up and conditions should be met for efficient functioning thereof.

Initial budget of the Anti-Corruption Agency

Number of employees: 160 (in total, including the Steering Committee)

	Total number	Gross	
		Costs in EUR/year	Per month
<i>Salaries for the employees</i>			
Steering Committee ⁶³	7	93,240.00 €	1,110.00 €
Director	1	24,000.00 €	2,000.00 €

⁶³ The Law stipulates: three average monthly net salaries (220€ + 150€=370€ gross) x 3= 1110€

Legal Issues Assistant	1	14,400.00 €	1,200.00 €
PR	1	12,000.00 €	1,000.00 €
Heads of departments	3	43,200.00 €	1,200.00 €
Other employees	146	876,000.00 €	500.00 €
Secretary General	1	14,400.00 €	1,200.00 €
Salaries in total		274,240.00 €	
Office equipment	#	90,000.00 €	
Hardware			No,
Computers (set)	160	160,000.00 €	1,000.00 €
Servers	2	30,000.00 €	15,000.00 €
Other IT equipment	#	25,000.00 €	#
Software (WXP&MS Office)	160	120,000.00 €	750.00 €
Other expenditures	#	100,000.00 €	
IT and expenditures in total		435,000.00 €	
Total		1,512,240.00 €	

When it comes to activities as defined in the National Strategy against Corruption, it is necessary to:

1) Strengthen human resources of individual departments of the Republic Public Prosecutor's Office and District Public Prosecutor Offices of Belgrade, Novi Sad, Niš and Kragujevac and Special Judicial Departments;

2) Employ a sufficient number of public prosecutors, deputy public prosecutors and judges and their advisors.

3.23.2.3. Mid-Term Priorities

3.23.2.3.1. Legal Framework

- Ensure full implementation of international conventions on fight against corruption
- Participation of the Ministry of Justice in the UNOCD pilot project on self-assessment, with assistance provided by UN experts, on harmonization of national legislation with the UN Convention against Corruption.

3.23.2.3.2. Institutions

- Efficient functioning of the Anti-Corruption Agency

- Further capacity building of state agencies in the field of fight against corruption

3.23.3. Fundamental rights

Personal Information Protection

Article 81 of the Stabilization and Association Agreement envisages harmonization of legislation of the Republic of Serbia with *acquis communautaire* and other European and international regulations relating to personal information protection.

Status

Article 42 of the Constitution of the Republic of Serbia guarantees protection of personal information. Issues such as collection, maintenance, processing and utilization of personal information are regulated by law. Furthermore, the usage of personal information for purposes other than those for collection of information as set forth by law is forbidden and liable to penalties, except for the purposes of instigating a criminal procedure or protection of safety of the Republic of Serbia, in a manner set forth by law. The Constitution stipulates the right of every individual to being notified of the collected information, as stipulated by law.

Currently the Personal Information Protection Law as of 1998 (Official Gazette of Federal Republic of Yugoslavia no. 24/98 and 26/98 and Official Gazette of Serbia and Montenegro no. 1/2003) is effective in the Republic of Serbia, which was adopted in the Federal Republic of Yugoslavia and implemented as a regulation of the Republic of Serbia. However, the law has not implemented a set of requirements defined in the Directive 95/46 of the European Parliament and the Council for Protection of Individuals with regard to Processing Personal Data and Free Flow of the Data, European standards in the field and primarily the highest possible transparency of data processing and efficient supervision thereof.

The Republic of Serbia signed and ratified the Convention of the Council of Europe no. 108 for Protection of Persons with Regard to Automatic Processing of Personal Data in September 2005, which came into effect on January 1, 2006.

Short-Term Priorities

The Ministry of Justice established the Working Group in 2007 to develop the Draft Personal Information Protection Law, who developed the Draft Law in January 2008. During the drafting process, the Working Group harmonized the Draft Law with the Convention of the Council of Europe for the Protection of Individuals with regard to Automatic Processing of Personal Data, as well as with the Directive no. 95/46 of the European Parliament.

The Government of Republic of Serbia adopted the Draft Personal Information Protection Law on January 31, 2008. The Draft Law was withdrawn from the parliamentary procedure for amending. Since the signing and ratification of Additional Protocol on the Convention of the Council of Europe for the Protection of Individuals with regard to Automatic Processing of Personal Data represent a precondition for the liberalization of the visa regime, the Ministry of Justice plans to amend shortly the draft law in line with the Protocol.

The Law sets forth details relating to protection of personal information, processing and utilization of the information, rights of citizens to have insight into their personal information, as well as

the body in charge of supervising the implementation of the law and the protection of citizens' rights pursuant to the law.

Institutions

Activities relating to protection of personal information shall be performed by the current Commissioner for Information of Public Importance who, pursuant to provision of the law, becomes competent for the protection of personal information as well and, pursuant to provisions of the law, becomes the Commissioner for Information of Public Importance and Personal Information Protection. The Commissioner is an independent state body autonomous to perform the respective competencies. Pursuant to the current organization of jobs, the Commissioner's Office employs 21 persons. Taking into account competencies envisaged by law, the future structure of the service shall include at least 60 employees and the positions shall be filled in a successive and rational manner. When it comes to budget resources necessary for the implementation of the law hereof and with regard to the proposed budget of the Commissioner for the year 2008 amounting to approximately RSD 34 million, it is necessary to provide additional RSD 70 million for expanding the service and for its operations.

Prevention of Discrimination

Status

The Constitution of the Republic of Serbia as of November 2006 guarantees equality before the Constitution and laws for its citizens; it forbids all forms of discrimination, both direct or indirect, on all grounds.

Short-term Priorities

Prevention of discrimination in the Republic of Serbia has not been regulated by a single comprehensive law. The Ministry of Labor and Social Policy has developed the Draft Law on Prevention of Discrimination, which is currently in the procedure preceding the putting of the law for voting in the National Assembly. The Law on Prevention of Discrimination is expected to be enacted in 2008. The Law shall regulate and ensure successful protection against discrimination in a unified manner. Draft Law was given favorable opinion by the Venice Committee of the Council of Europe in December 2007, stating that the Draft Law is harmonized with international standards in the field, thus representing an important step towards preventing discrimination. It should be underlined that the Draft Law is fully harmonized with Instructions 2000/78/EC establishing the general framework for equal treatment in the field of employment, as well as with Instructions 2000/43/ES which call for the principle of equal treatment regardless of race or ethnical background.

Active and Passive Suffrage

Mid-Term Priorities

The Directive of the Council of Ministers 93/109/EC as of December 6, 1993 sets forth detailed arrangements regarding active and passive suffrage at elections for the European Parliament in case of European Union citizens with residence in a member state where they do not hold citizenship (Celex 31993L0109).

The implementation of the Directive calls for the adoption of the Law on Elections for the European Parliament which shall stipulate the electoral procedure and other issues of importance for

conducting elections. Closer instructions for implementing the said law shall be adopted by the body in charge of conducting the elections (Republic Electoral Commission pursuant to current regulations).

Furthermore, amendments to the Law on Electoral Role shall enable the maintenance of the registry of European Union citizens holding residence in the Republic of Serbia with the right of vote.

The deadline for harmonization of regulations is the year 2012.

Institutional Framework

Institutions in charge of monitoring legislative activities and the implementation of *acquis*:

Current	Republic Legislation Secretariat
New	Not necessary

The mandate of the Ministry of Public Administration and Local Self-Government comprises the EU regulations relating to exercising active and passive suffrage of EU citizens at local level elections in member states where they do not hold citizenship.

The said regulations are relevant for the Republic of Serbia and their harmonization may be amended in the period 2010 – 2012.

Regulations which need be harmonized are:

1. Constitution of the Republic of Serbia

Article 52 of the Constitution envisages that every citizen of the Republic of Serbia who is of age and legally able to work is entitled to vote and be voted for. The said Article shall be amended so as to guarantee suffrage for EU citizens, under specific conditions (duration of residence, limitation to local level elections, etc).

2. Law on Local Elections

The Law on Local Elections stipulates that active and passive suffrage at local level elections may be exercised by a person of age who is a citizen of the Republic of Serbia, able to work and having the place of residence at the territory of the local self-government unit in which the person is to exercise the right to vote. The provision shall be amended and shall enable the implementation of EU regulations on active and passive suffrage in local level elections for EU citizens with the place of residence in the member state where they do not hold citizenship.

3. Law on Local Self-Government

The new Law on Local Self-Government is fully harmonized with the European Charter on Local Self-Government. When it comes to conditions for exercising the right of suffrage of EU citizens, individual provisions may need some amendments so as to be harmonized with relevant EU regulations.

The European Union regulations whose implementation shall be provided by means of amendments to the abovementioned regulations of the Republic of Serbia include: Instructions of the Council 94/80/EC, Instructions of the Council 96/30/EC, Instructions of the Council 2006/106/EC.

Institutional Framework

Institutions in charge of monitoring legislative activities and the implementation of *acquis*:

Current	Ministry of Public Administration and Local Self-Government
New	Not necessary

Promotion of the Quality of Life and Position of Youth in Society

The Government of the Republic of Serbia authorized the Ministry of Youth and Sports to be the leading party in the process of drafting the National Youth Strategy – a comprehensive, cross-sector strategy for promoting the quality of life and the position of youth in society. The first draft of the Strategy was developed on December 15, 2007, based on the wide consultative process. The process was harmonized among all the stakeholders during the second round of consultations and the second draft was completed on February 14, 2008, when it was downloaded on the website of the Ministry and the public debate was initiated, which lasted through March 9, 2008. Following the regional conferences and public events in the course of the public debate, results were published at the final conference held on March 7-9, 2008. The final Draft National Youth Strategy was presented to the public on March 31, 2008, when it was submitted to the Government for adoption. The Government of the Republic of Serbia is expected to adopt the Strategy in the first half of 2008.

Draft National Youth Strategy is fully harmonized with *acquis communautaire* taking into account that the basis for the development of the strategy and the existing strategic framework include: eleven indicators of youth policy recommended by the Council of Europe, National Strategy for Accession of Serbia to the European Union, Poverty Reduction Strategy, Millennium Development Goals in Serbia, sector strategies and international documents (White Book of the European Commission on Youth Policy, Charter on Participation of Youth in Local and Regional Life of the Congress of Local and Regional Authorities in Europe and Global Youth Action Plan as of Year 2000 of the United Nations).

Draft National Youth Strategy is also harmonized with the Resolution on Participation of Youth from the meeting of the Council of Ministers and ministers in charge of youth held within the Council on February 8, 1999 (celex:41999X0217). The Resolution promotes participation of youth in the exchange of experience and information, taking into account the opinion of youth in the development and implementation of youth programs, motivation of youth to take part in democratic decision-making processes and in political, economic, social and cultural life.

The forthcoming goals of the Ministry of Youth and Sports in the period 2008-2009 are to:

1. Adopt and implement measures envisaged in the National Youth Strategy,
2. Prepare and adopt the National Youth Action Plan for the period 2008-2013,
3. Prepare and adopt the Law on Volunteering/Youth Law.

3.24. JUSTICE, LIBERTY AND SECURITY

3.24.1. External borders

Total length of the Republic of Serbia border is 2.351,7 km, out of which 1.654,4 km is the length of the land border, and 697,3 km of the river border. The Republic of Serbia borders with the Rep. Hungary in the length of 174,7 km, with the Rep. of Romania in the length of 547,9 km, with the Rep. of Bulgaria in the length of 369,4 km, with the Rep. of Macedonia in the length of 283,1 km, with the Rep. of Albania in the length of 113,5 km, with Montenegro in the length of 249,5 km, with BiH in the length of 363,2 km and with the Rep. of Croatia in the length of 259,3 km. Borders with neighbouring countries, inherited from the former SFRY, as well as the border with the Rep. of Macedonia are defined and undisputed. Borders with Montenegro, Bosnia and Herzegovina and the Rep. of Croatia have not been determined as the procedure of boundary delimitation has not been completed. Up to date procedure of boundary delimitation with Croatia has been initiated (in initial phase), with BiH (major part of the activities has been concluded), whilst with Montenegro it is yet to be initiated.

3.24.1.1.1. Legislative framework

One of the most important preconditions for EU accession is establishment of the National Integrated Border Management System, which has to facilitate free cross-border movement of people, capital, goods and services on one side, and prevention and repression of all forms of cross-border criminal, international terrorism, illegal migrations, human trafficking and other illegal activities or acts, as well as prevention of contagious animal diseases entry or plant quarantine pests, with a view to protecting human health.

The Government of the Rep. of Serbia adopted the Integrated Border Management Strategy for the Republic of Serbia in January 2006. The Action plan for its implementation was adopted as well.

Upon adoption of the Strategy, the Minister of Internal Affairs, the Minister of Agriculture, Forestry and Water Management and the Minister of Finances signed in June 2006 functional strategies, which define areas of common interest for all four border authorities (Border Police, Customs and Inspection Offices). Signed functional strategies refers to the sphere of joint training, infrastructure, equipment and IT and telecommunication systems.

Integrated Border Management Strategy of the Republic of Serbia identifies also long term objectives related to improvement of the collaboration within and between border services having competences on the state border, as well as of the international collaboration, in order to obtain more effective and efficient border management.

A Twinning Project for implementation of the Integrated Border Management of the Republic of Serbia was launched with primary objective to increase efficiency and capacities of the State Administration competent for implementation of the Integrated Border Management System pursuant to European standards.

Grounds for legal regulation of control of crossing and securing state border of the Republic of Serbia are set forth in the Law on Crossing of the State Border and Movement in the Border Area ("Official Journal of the SFRY", No 34/79).

Pursuant to that Law, the Republic of Serbia protects and controls its borders following the model that is outdated and obsolete, and it does not contribute completely to achievement of objectives that modern border control systems need to provide. The current Law also provides for competences related to the control of crossing and securing the state border to be divided, in a way that Police controls crossing the state border, while the Army is in charge of security. By taking over the competences of the Army in securing the state border, one of the reform objectives in the process of European Union accession has been achieved, and that is demilitarization of the state border. The process of taking over the state border security affairs from the Army has been entirely concluded on 27th July 2007.

With this respect, Integrated Border Management Strategy of the Republic of Serbia sets as a priority adoption of regulations in the sphere of state border protection harmonized with the models, standards and recommendations of the European Union.

The Government of the Republic of Serbia adopted proposal of the Law on State Border Protection.

Constitutional grounds for adoption of this Law have been consisted in the Article 97, item 5 of the Republic of Serbia Constitution, which, inter alia, provides for the Republic of Serbia to define and secure the system of crossing the border and control of the movement of goods, services and passenger traffic across the border.

Objectives of the state border protection have also been defined: securing the integrity of the state border, prevention and detection of criminal offences, identification and detection of perpetrators, protection of life and health of people and environment, and prevention of illegal migration.

Proposal of the new Law on State Border Protection has been harmonized with European standards and represents significant improvement in comparison with the current regulations:

The Schengen Agreement of 14th June 1985; Convention of 19th June 1990 implementing the Schengen Agreement of 14th June 1985, concluded between the Governments of the European Union states, Benelux, the Federal Republic Germany and Republic of France, aimed at gradual abolition of control at common borders and Schengen Manual – OJEU No C 313 S.97 dated 16th December 2002.

Adoption of this law in the Republic of Serbia would result in efficient state border control system, high control standard and regulated cooperation of all bodies participating in that procedure.

3.24.1.1.2. Institutional framework

In the Ministry of Internal Affairs of the Republic of Serbia Border Police Authority has been established as general and centralized service, hierarchically organized at central, regional and local level, and in charge of direct organization and performance of activities related to control of crossing and securing the state border.

At central level, this authority exercises the above-mentioned function through Departments for border, Departments for foreigners, Department for prevention of cross-border criminal and criminal-intelligence affairs, then through Department for international cooperation and Duty Operation Center.

At regional level this function is exercised through Border Police Regional Centers established for every neighbouring country.

At local level Border Police Authority exercises its function through Border Police stations for control of crossing the state border and its security; their work is coordinated under Regional Centers.

3.24.1.2. Short-term priorities

3.24.1.2.1. Laws and regulations

- Adoption of the Law on State Border Protection
- Subsequently to the adoption of the Law on State Border Protection, preparation of all necessary by-laws with detailed procedures for conduct of cross-border Police officers.
- Implementation of the Integrated Border Management Strategy and strengthening of cooperation between border authorities-services within the Integrated Border Management System, through conclusion of an agreements on mutual cooperation, and their implementation
- Improvement cross-border police cooperation and its harmonisation with best practice examples through formulation of adequate agreements and protocols.

3.24.1.2.2. Institutions

- To proceed with strengthening of the Border Police capacities along with development of capacities of other border services.
- To proceed with restructuring of the Border Police in accordance with the real needs, along with observance of transparency and liability principles.
- To continue with the initiated activities related to development of the training system for Border Police officers within the training system for police officers in the Ministry.
- To develop and implement procurement plans of up-to-date equipment for performance of securitu and control of crossing the state border in accordance with real needs and capacities, along with follow-up and implementation of best practice examples of border services in EU member countries.

3.24.1.3. Mid-term priorities

3.24.1.3.1. Laws and regulations

- To follow-up current Schengen regulations and best practice examples of the EU member countries and adjust local regulations in accordance with them.

- To expand and strengthen all forms of cross-border police cooperation through conclusion of new agreements.

3.24.1.2.2. Institutions

- To harmonize organisational structure of the Border Police with the organisation of departments of the countries in the region and EU.
- To harmonize teaching plans and programs for Border Police specialization trainings with modern tendencies and trends. To continue with development of good quality personnel central office for implementation of the training, along with maintenance of good cooperation with relevant international organisations.
- To proceed with development of information system for the needs of Border Police.
- To proceed with development of functional facilities and infrastructure at border crossings in order to facilitate the flow of people and goods, along with upgrading the control quality level.
- To prepare project documentation and take part in competitions for international support within European funds and programs for and purchase of up-to-date equipment for performance of security and control of crossing the state border.
- To carry out infrastructure improvements of detention center for illegal immigrants, along with improvement of technical equipment level.

Security of documents

One of the segments of Integrated Border Management, mostly related to affairs of control of crossing the border and achievement of objectives to be provided by the surveillance of the state border (prevention of illegal migrations, prevention and repression of cross-border criminal) refers to introduction of new, secure citizens' documents (passports, identification cards and other identification documents), which guarantee reliability of data in these documents, enable quick and reliable identification, with no harm to overall safety of the state and international community and to exercising of guaranteed and internationally recognized human rights.

Furthermore, short-term priorities of the EP for the Republic of Serbia stipulate the necessity of providing efficient obtaining of requirements that travel and personal documents must meet.

Fulfillment of these activities was initiated by adoption of the Law on Identification Card ("Official Gazette of the RS" No 62/06), dated 19th July 2006, the issuance of which started in May 2008.

Regulatory presumptions for introduction of new passport have been fulfilled by adoption of the new Law on Travel Documents („Official Gazette“, No 90/2007), which entered into force on 9th October 2007, and the enforcement of which initiated six months after the date of entering into legal force. This law defines types of travel documents, deadlines for issuance, conditions and procedure for obtaining of these documents and other relevant matters.

The new Law on Travel Documents will enable complete protection of travel document forms from misuse, by entering biometrical data, which will contribute to higher legal security in usage and security of travel documents, in compliance with:

a.) the European standards – recommendations and directives of the European Union dated 2004 and 2006, regulating content and appearance of mandatory electronic passport (specification for biometrical data – photograph and fingerprints of the person, memory type – chip, logical structure of data in the chip, compatibility of the chip and applications) as well as with

б.) standards of the International Civil Aviation Organisation – ICAO, which stipulates that all countries must introduce travel documents with integrated photograph and mechanically readable zone that must comply with the ICAO standard, within april 2010.

Short-term priorities

Simultaneously with the initiation of issuance of new identification documents, in May 2008, Integrated Automated Fingerprint Identification System Project was launched in the Ministry of Internal Affairs, whose complete implementation represents short-term priority. This Project will enable harmonisation of identification documents in our country with the European and world standards. With this Project new functional systems are being established, which, on the basis of multimedia technology, enable protection, filing, exchange and searching of documents with automatic recognition of fingerprints and photographs of persons.

Besides personalization of documents, this will enable formation of electronic archives of fingerprints and photographs of persons, which will significantly facilitate criminal-operation performances.

Nationality

The Republic of Serbia Constitution, Article 38, provides for acquisition and termination of the nationality of the RS to be regulated by law and that the citizen of the RS cannot be deprived of nationality or right to change it.

The Law on Nationality of the Rep. of Serbia („Official Gazette“ No 135/04 and 90/07) regulates acquisition and termination of the nationality of the Rep. of Serbia, as well as competences for recordkeeping, which are of utmost importance for procedure of issuance of travel documents.

The above-mentioned law stipulates that requests for acquisition and termination of the nationality of the Rep. of Serbia are resolved by the Ministry of Internal Affairs, in accordance with its competences.

The Law on Nationality of the Rep. of Serbia incorporates recommendations of the Council of Europe, European Convention on Nationality and international standards in the sphere of nationality. The Law also comprises provisions that have as objective to prevent and decrease statelessness. Furthermore, procedure of acquisition of nationality is simplified for refugees.

The above-mentioned law stipulates equal rights of all citizens to acquisition of the status of citizen without discrimination on any grounds, such as gender, race, colour, language, religion, national origins or social status, property or other statuses.

3.24.2. Migration control

Starting from the fact that migrations represent global phenomenon whose impacts and consequences go beyond national frameworks, the Republic of Serbia is committed to be part of European policies and migration flows management in its segment. It is achieved both through formulation of new legal solutions and cooperation with all relevant international subjects.

Furthermore, the Government has defined proposal of the new Law on Foreigners.

Constitutional grounds for adoption of this law have been consisted in the Article 39, Paragraph 3 of the Republic of Serbia Constitution, which, inter alia, provides for entrance and stay of foreigners in the Republic of Serbia to be governed by the law in the Article – 97, item 5 of the Republic of Serbia Constitution, which also provides for the Republic of Serbia to define and secure the foreigners` status.

The above-mentioned law defines requirements for entrance and stay of foreigners in the country, possibility of registering the residence of foreigners through internet, the existing types of visa have been abolished and the new ones have been introduced (A – Airport transit visa, B – transit visa, C – short stay visa and D – long stay visa).

Tourist pass has been abolished and border permit has been introduced, which is issued under strictly regulated conditions and within the procedure stipulated by the Law. Temporary residence has been introduced for human trafficking victims, which was previously regulated by the by-laws. Material liability of physical entity has been regulated – guarantee and legal person – firm, i.e. transporter in cases of illegal stay of foreigners, that is foreigners who do not meet requirements for entrance on the territory of the Republic of Serbia.

Proposal of the Law on Foreigners has been harmonized with the EU standards in the above-mentioned sphere:

The Schengen Agreement of 14th June 1985; Convention of 19th June 1990 implementing the Schengen Agreement of 14th June 1985, concluded between the Governments of the European Union states, Benelux, the Federal Republic Germany, the Republic of France aimed at gradual abolition of control at common borders and Schengen Manual– OJEU No C 313 S.97 dated 16th December 2002.

Readmission

Agreements on readmission enable organized, reciprocal and institutionalized return of persons having unresolved status, which creates preconditions for their reintegration into society upon return to the Republic of Serbia.

Negotiations of the European Union and the Republic of Serbia on conclusion of the Agreement of visa facilitation and readmission have been launched in November 2006. After three rounds of negotiations, agreements between the Republic of Serbia and European Commission were initialed in Bruxelles on 16th May 2007. Signing of the agreement followed on 18th September 2007 in Bruxelles.

The National Parliament of the Republic of Serbia ratified the above-mentioned agreements on 7th November 2007, when Law on Confirmation of the Agreement between the European Community and the Republic of Serbia on facilitated procedure for visa issuance („Official Gazette of the RS“ No

103/07) and Law on Confirmation of the Agreement between European Community and the Republic of Serbia on readmission of persons with illegal residence were adopted („Official Gazette of RS“ No 103/07). Agreements entered into force on 1st January 2008.

The Agreement on readmission regulates return and admission of citizens of foreign agreement party, third country citizens and stateless persons, illegally residing in the country of the foreign agreement party.

Up to now, the Republic of Serbia has concluded 15 Agreements on Readmission comprising 17 countries, i.e. FR Germany, Switzerland, Slovenia, Sweden, Slovakia, Bulgaria, Hungary, Italy, Denmark, Benelux countries (Belgium, Netherlands and Luxembourg), Croatia, Austria, BiH, Canada and France.

The process of return of returnees pursuant to the Agreement on Readmission is implemented with full observance of the highest European standards in the sphere of protection of human rights and freedom of citizens, as well as regula iuris of other international conventions addressing protection of human rights and freedoms.

Considering the necessity of active inclusion of this category of people in all aspects of reintegration (social, economic etc.) upon their return to the country, as well as the urgency of resolving existential needs, the Law on Identification Card, Article 17, stipulates mandatory urgent resolving of all requests for issuance of personal documents. In that way necessary conditions for application of all other measures are being created with a view to reintegrating returnees, and preventing phenomenon of secondary migrations.

The Government of the Republic of Serbia formed on 22nd November 2007 Council for Integration of Returnees pursuant to the Agreement on Readmission, which is composed of representatives of all relevant ministries and other governmental offices. Representatives of all competent state bodies and organizations, as well as experts in various spheres may participate in the work of the Council.

In order to regulate the activities related to reintegration of returnees according to the Agreement on Readmission in systemic and organized manner, an intersectoral Working Group has been established for formulation of the Draft Strategy for Integration of Returnees in accordance with the Agreement on Readmission and Draft Action Plan for admission, care and integration of returnees in compliance with the Agreement on Readmission.

The following adequate preparations for readmission implementation at operational level have been carried out:

In 2006 Office for readmission has begun with its activities at the airport “Nikola Tesla” in Belgrade. Working from 10 to 22 the employees welcome forced returnees and offer them basic advisory assistance. Returnees are being distributed “Infobook for returnees upon readmission” published in Serbian, Roma, Dutch, German and English language. The infobook contains basic information and contacts which could be useful to returnees and is distributed in the Office for readmission at the airport “Nikola Tesla”, Belgrade and other important info points (Social Welfare Center, schools, NGO, diplomatic and consular missions etc.)

Office for readmission at the airport “Nikola Tesla” as per its primary purpose, role and functioning, provides identification of deported persons and voluntary returnees, informs deported persons and

voluntary returnees on the reintegration process in Serbia, identifies basic problems encountered by persons upon readmission, provides basic legal and advisory assistance in the sphere of personal status regulation, social care and health protection, employment, collection of data on conditions of human and minority rights of persons upon readmission, collection of other relevant data important for the reintegration of returnees process, reporting to the Agency for Human and Minority Rights on conditions and problems of returnees.

In addition, Center for Integration of Returnees was founded, and it launched series of activities, in particular gathering and coordination of representatives of all relevant ministries and non-governmental organizations with a view to finding “sustainable mechanisms for integration”, and preparation of Manual for proceeding within integration of returnees, published in the following languages: Serbian, English, Hungarian and Albanian.

Social integration of returnees, where Roma people are expected to be majority, will be supported by engagement of coordinators for Roma issues in 40 municipalities throughout Serbia. Including 23 existing coordinators, funded by UNDP, OSCE and local self-governments, over 60 municipalities in Serbia, returnees will have opportunity to resolve all issues related to their status, provision of documents, basic social care, enrollment of children in schools and pre-school classes, as well as all other matters in their mother tongue.

3.24.2.2. Short-term priorities:

- Adoption of the Law on Foreigners
- Formulation and adoption of the Migrations Management Strategy
- Conclusion of the Agreement on Readmission with those EU member countries which are not included in the General Agreement on Readmission
- Signing of Protocol on implementation of the Agreement on Readmission pursuant to liabilities in the General Agreement on Readmission
- Adoption of the Strategy for Integration of Returnees pursuant to the Agreement on Readmission and Draft Action Plan for admission, care and integration of returnees according to the Agreement on Readmission.
- Organize in phases two transit centers (Belgrade, Nis) for first admission
- Form a Team for readmission in transit centers that, along with officers provided by the budget, and besides organization of initial admission and cooperation with integrating communities, have as a task to contribute to resolution of issues of importance for prevention of secondary migration (prevention of human trafficking, positive discrimination, etc.)
- Provide legal regulations for their functioning, provide adequate conditions for work (premises, equipment, accommodation costs)
- Strengthen capacities of the Ministry of labour and social policy, Sector for population policy, by further training of employees, providing sufficient number of officers, in order to enable monitoring of the situation, recommendation of measures for further improvement of policies and performance of necessary regulatory affairs.

Fight against human trafficking

The Government of the Republic of Serbia adopted the Strategy for fight against human trafficking in December 2006 (“Official Gazette of the RS, No 111/2006), establishing national mechanism for coordination of activities and creation of policies for fight against human trafficking, composed of two levels – central (strategic) and operative.

Central level: Council for fight against human trafficking, Coordinator for fight against human trafficking and National team for fight against human trafficking.

Operative level: Judicial bodies and Police and Agency for coordination of human trafficking victims. Significant support at operative level is provided also by specialized non-governmental and international organisations.

Within the Ministry of Internal Affairs of the Rep. of Serbia, special police teams have been formed for fight against human trafficking, within Criminal Police Department and Border Police Administration.

Taking into consideration standards in protection of rights of human trafficking victims, the Ministry of Internal Affairs of the Rep. of Serbia passed in 2004 Instruction on conditions for approval of temporary residence to foreign citizens who are victims of human trafficking.

In order to obtain direct assistance and protection of human trafficking victims, at the beginning of 2004 Agency for coordination of human trafficking victims has been established, within the Institute for education of children and youth, which is authorised to submit request on behalf of the victims for approval of residence for humanitarian reasons. The Republic of Serbia is the only country in the region which institutionalized mechanism for protection of human trafficking victims, and where the crucial role has separate state body.

Short-term priorities

- Formulation of the Action plan for implementation of the Strategy for fight against human trafficking
- Continuation of the fight against human trafficking along with implementation of the Strategy for fight against human trafficking and provision of adequate assistance and protection of victims.
- Ratification of the Convention of the Council of Europe on measures taken in the fight against human trafficking.
- Preparation of the Protocol on cooperation between governmental, non-governmental and international organisations related to collaboration and proceeding in protection of human trafficking victims.
- Provide necessary shelter for human trafficking victims who are minors. Facilities for these purposes should be provided through conversion of the existing buildings of Social care for children and youth.
- Ensure legal regulations for functioning of shelter for human trafficking victims (through founding of new institutions or entrusting of these affairs to the existing social care institutions or NGO), as well as
- Provide adequate conditions for work (premises, equipment, accommodation costs)
- Proceed with improvement of conditions for performance of activities related to coordination of human trafficking victims, along with division of coordination affairs and those of protection, where protection should be organized and carried out by the existing social care institutions (Social Welfare, along with provision of personnel and material conditions) in the local communities with the largest number of victims.
- Continue with trainings of entities for recognition of the phenomenon and taking of the adequate measures,

- Creation of conditions for social integration of victims,
- Establishment of exchange of information on phenomena, measures and its efficiency at international levels.
- Capacities of the Sector for population policies within the Ministry for Labor and Social Policy through further trainings of employees, provision of sufficient number of officers in order to enable monitoring of situation, recommendation of measures for further improvement of the policies and performance of necessary legal affairs.

3.24.3. Visa policy

Competent bodies of the Republic of Serbia have in previous years made significant steps with a view to liberalizing visa regime of the EU towards our citizens and adjusting to the European and Schengen standards in the sphere of visa policy. With this respect, visas for EU citizens and other developed countries have been abolished, while visas for certain number of African and Asian countries have been introduced, since majority of illegal migrants is traditionally recruited there. Series of bilateral agreements on abolition of visas for holders of DPI and SPI have been signed with a couple of EU countries, series of bilateral agreements on readmission have been concluded with EU member countries.

At the session held on 29th May 2003, Council of Ministers of Serbia and Montenegro passed Decision on abolition of visas for entrance and stay in SM, up to 90 days, for all types of travel documents, for citizens of Germany, France, Italy, Netherlands, Belgium, Luxembourg, United Kingdom, Ireland, Spain, Portugal, Greece, Denmark, Sweden, Finland, Austria, Switzerland, Norway, Island, Monaco, Lichtenstein, Vatican, Andora, San Marino, Israel, Cyprus, Malta, Czech Republic, Slovakia, Poland, Slovenia, Latvia, Lithuania, Estonia, Croatia, USA, Canada, Singapore, Rep. Corea, Australia and New Zealand. Upon declaration of independence by Montenegro, Serbia completely proceeded with implementation of the above-mentioned Decision.

UP to now, Serbia has concluded bilateral agreements on abolition of visas for holders of DP holders and FP holders with the following EU country members: Austria, Greece, Italy, Cyprus, Hungary, Slovakia, Slovenia (11th February 2002—only for domestic passport holder, while for foreign passport holder visas were abolished in April 2004), Spain, Czech Republic (11th September 2006—unilaterally abolished visas), Romania, Bulgaria and Benelux.

One of the most important tasks is soon abolition of EU visa regime towards citizens of the Republic of Serbia and placement on the “white Schengen list”.

As previously mentioned by entering into force of the Agreement of visa facilitation and readmission of European Union and the Republic of Serbia dated 1st January 2008, new phase has initiated in the activities of the Republic of Serbia, directed towards full liberalization of the visa regime with the EU, i.e. abolition of visa regime for citizens of the Republic of Serbia.

The Agreement on visa facilitation sets up frameworks for facilitation of the visa issuance procedure to citizens of the Republic of Serbia by European Union member-countries which in whole apply Schengen *acquis communautaire*. Facilitations are mostly related to decrease of number of documents that need to be submitted for the purpose of obtaining visa and procedure itself for obtaining of visas valid for longer period of time.

In order to fulfill obligations stipulated by general agreements with the EU, activities were initiated on conclusion of bilateral agreements with European countries out of Schengen or EU or those countries which are not included in the general agreements (Denmark, Norway, United Kingdom, Ireland, Island, and as of the accession to Schengen, Lichtenstein and Switzerland). On 13th March 2008 the Agreement on visa facilitation with the Kingdom of Denmark was signed.

With a view to developing dialogue on qualification of Serbia for positive Schengen List, on 19th July 2007 the Government of the Republic of Serbia formed Working Group for coordination of activities of fulfillment of general criteria for liberalization of EU visa regime towards the Rep. of Serbia. Working Group is composed of three representatives of the Ministry of Internal Affairs and one representative of the Ministry of Foreign Affairs, the Ministry of Justice, Deputy Prime Minister Cabinet and the Office for EU accession. Working Group is chaired by the representative of the Ministry of Internal Affairs of the Republic of Serbia.

Tasks of the Working Group are as follows: coordination of work on fulfillment of general criteria for liberalization of visa regime, preparation of the Plan of activities for the work of competent bodies on fulfillment of these criteria, identification of priorities and its detailed definition, preparation of competent bodies for political dialogue on liberalization of the European Union visa regime towards the Republic of Serbia.

Representatives of the European Commission delivered the Map of the road towards liberalization of visa regime of the European Union towards the Republic of Serbia, on 7th May 2008 in Belgrade, containing all conditions and criteria that the Republic of Serbia must meet in order to enter the “White Schengen List”.

With this respect, forthcoming activity of the Working Group is preparation of the Plan of activities for work of competent bodies on fulfillment of the criteria listed in the Roda Map.

Visa information system

Considering the fact that visa system of one country represents integral part of the safety of the country and its ability to control the borders in coordinated manner, in order to harmonize technology and affairs in this sphere with the EU (linkages with Schengen EU Information system) as well as support to the work of DCM and control of documents on border crossings which are under jurisdiction of MIA, forthcoming activity of the Republic of Serbia is implementation of new visa module, which is short-term priority.

Main implementors of the project are the Ministry of Internal Affairs and the Ministry of Foreign Affairs. The Project will be implemented in cooperation with relevant ministries with a view to creating conditions for complete acceptance of new visa system, its realization, implementation and application.

Realization of the Project will enable standardized, reliable and effective work of DCM and border crossings, which will facilitate safe checking and issuance of visas to those foreign citizens who have valid travel documents, defined and legal purpose of the visit.

Solutions foreseen by the Project are based on Schengen catalogue of the best practice examples and are in compliance with Consular instructions of the European Union, whereat experiences of Germany,

Austria, Hungary and other European countries are used, by direct insight of exchange of data with their relevant departments.

Short-term priorities

- Implementation of the visa information system project
- Continuation of activities of the Working Group on coordination of work related to fulfillment of criteria for liberalization of visa regime of the EU towards the Rep. of Serbia
- Formulation of the Action Plan for work of competent bodies on fulfillment of criteria from the Road Map.
- In order to fulfill obligations provided for by the general Agreements with the EU, activities on conclusion of bilateral agreements on visa facilitation with the EU countries not included in the above-mentioned general agreements on visa facilitation have been initiated (Denmark, Norway, United Kingdom, Ireland, Island, and as of the accession to Schengen, Lichtenstein and Switzerland).
- Continuation of the agreed regulation of the regime for travels of citizens with other interested countries.

Mid-term priorities

- Implementation of the harmonisation plan of all documents regarding security elements with the EU standards.
- Permanent education of all police officerws
- Foreseen continuation of the Project of development of data base of the Rep. of Serbia on visas and starting with the final phase of the Project.
- Continuation of implementation of the plan for complete networking of Embassies, the Ministry of Foreign Affairs and the Ministry of Internal Affairs with its organisational units.
- Adoption of new rule-book on visas and beginning of the issuance of new visas – stickers in compliance with the highest standards.

3.24.4. Asylum

Short-term priorities from the European Partnership stipulate the necessity of introducing and enforcing Law on Asylum.

With a view to harmonizing legal regulations with the regulations of the European Union, Law on Asylum has been adopted in November 2007 („Official Gazette of the RS“ No 109/07), which entered into force on 1st April 2008. The Law is harmonized with:

- EU Council Directive 003/09/EC on minimum requirements for admission of azylants in state member;
- EU Council Directive 2004/83/EC on minimum requirements and status of the third country citizens or stateless persons for acquisition of refugee status, i.e. person in need of international protection and guaranteed protection services;
- EU Council Directive 2001/55/EC on minimum requirements for provision of temporary assistance in cases of mass inflows of displaced persons and EU Council Directive 2005/85/EC on minimum standards of the procedure for approval and abolition of the status to refugees from 2005.

Besides the above mentioned, the Law on Asylum is, above all, harmonized with the UN Convention on the Status of Refugees from 1951, with the Protocol on the Status of Refugees from 1967, Universal Declaration of Human Rights from 1948, European Convention on Protection of Human Rights and Fundamental Freedoms from 1950, Convention against Torture and Other Cruel, Inhuman or Degrading Treatment and Punishment from 1984 and UN Convention on the Rights of the Child from 1989.

Law on Asylum defines principles, requirements and procedure for acquisition and termination of asylum, as well as the status, rights and liabilities of the persons asking for asylum or persons to whom the right to asylum is recognized in the Republic of Serbia.

Office for asylum of the Ministry of Internal Affairs of the Republic of Serbia is competent body for decision-making upon requests for asylum, or termination of that right.

As per the second instance appeals to Decisions of the Office for Asylum Commission for Asylum is competent, which is composed of the President and 8 members, appointed by the Government of the Republic of Serbia for the period of four years. Work of the Commission is funded by the Republic of Serbia budget.

Person asking for asylum will be provided with the accommodation and basic conditions for living in the Center for Asylum, which is within Commissariat for refugees, as a special organisational unit. Within the Center for Asylum, persons asking for asylum get, besides accommodation, basic living conditions: clothes, food, financial assistance and other conditions in compliance with special regulations and principles of the asylum procedure.

The Center for Asylum is directed by a public officer, managing the Commissariat. That person passes regulations on the conditions of accommodation, house order and provision of basic living conditions in the Center, as well as on interim organization job systematization.

If there is clearly expressed intention, foreigner may ask for asylum in front of authorized official of the Ministry of Internal Affairs. Upon the registration with the officer of the Office for Asylum, procedure of approving asylum may be initiated by submitting request with the form filled in within 15 days since the day of registration.

Upon entering into force of this Law, the Ministry of Internal Affairs took over the competences from the UNHCR regarding resolving of the status of refugees.

Persons asking for asylum, as well as refugees and persons given subsidy protection, are provided medical care, right to free elementary and high school education, as well as the right to social assistance.

Persons with recognized right to asylum or subsidy protection are provided with accommodation up to one year from final decision on recognition of their status.

In the procedure of asylum, specific situation of the persons with special needs will be taken into account. To this category belong minors, persons with total or partial working ability, children separated from parents or guardian, disabled persons, elder, pregnant women, single parents with minors or persons exposed to torture, rape or other major form of psychological, physical or sexual violence.

3.24.4.2. Short-term priorities

- Adoption of the by-laws which would enable better enforcement of the Law on Asylum,
- Enforcement of the new Law on Asylum and by-laws in this sphere

3.24.4.3. Mid-term priorities

- Development of mechanisms for electronic taking and keeping of the fingerprints of the asylum seekers;
- Strengthening of administrative capacities in the sphere of integration of foreigners to whom asylum or subsidy protection are approved.

3.24.5. Police cooperation and fight against organised crime

International police cooperation of the MIA is implemented both at bilateral, and regional and multilateral level, through cooperation within series of programs and projects organized and coordinated by international organisations in the area of South-East Europe (OSCE, UN, Stability Pact for South Eastern Europe, etc.). Significant part of these activities is implemented through NCB INTERPOL Belgrade, but also through bilateral contacts and cooperation of competent departments of the Ministry with relevant police services of the large number of countries in the region.

With this respect, Convention on Police Cooperation in South Eastern Europe, signed by the Minister of Internal Affairs at the Conference of the Ministers held in Vienna, on 26th May 2006, and confirmed by the National Parliament with the Law on Confirmation of the Convention on Police Cooperation in South Eastern Europe („Official Gazette of the RS – International Agreements“ No 70/07).

Convention on Police Cooperation of the SEE regulates spheres of cooperation and exchange of police information related to criminal offences and perpetrators, appointment and discharge of liaison officers, witness protection, joint trainings, crossing to foreign territory during the procedure of prosecution of criminal offence perpetrators, cross-border surveillance, control delivery and exchange of data. This document governs cooperation in the formation of mixed border patrols, common research teams and cooperation in common centers.

Signed agreements and protocols of cooperation:

1. Agreement of Cooperation in the fight against international organized criminal, international illegal drug trafficking and international terrorism between the Ministry of Internal Affairs of the Republic of Serbia and Federal Ministry of Internal Affairs of the Republic of Austria, signed in Vienna, on 11th November 2004.

2. Protocol of cooperation of border police through experimental establishment of Contact Bureau between the Ministry of Internal Affairs of the Republic of Serbia, Border Police Administration and the Ministry of Administration and Internal Affairs of the Republic of Romania, General Inspectorate of the Border Police, signed in February 2006.

3. Agreement of Cooperation in the fight against organized criminal, international illegal drug trafficking and international terrorism between the Government of Romania and Government of the Republic of Serbia, signed on 5th July, in Bucarest.

4. Agreement of Cooperation in the fight against criminal between the Government of the Slovak Republic, signed on 16th November 2007, in Bratislava, Slovakia. Simultaneously with the Agreement, a Protocol on implementation of this Agreement was signed.

5. Agreement between the Government of the Republic of Bulgaria and the Government of the Republic of Serbia on cooperation of border authorities. The Agreement was signed on 12th November 2007 in Belgrade.

Memorandum of Cooperation in the fight against terrorism, organized criminal, illegal trafficking of narcotics, psycotropic substanes and stimulants, illegal migrations and other criminal offences, between the Government of the Republic of Bulgaria and the Government of the Republic of Serbia, signed on 26th September 2003.

6. Memorandum of Intentions of cooperation in the sphere of prevention of natural disasters, technology-related damage and removal of its consequences between the Government of the Republic of Serbia and the Ministry of Russian Federation for civil diffence, states of emergency and removal of consequences of natural disasters, signed on 21st July 2007.

7. Agreement of Understanding and Cooperation in the sphere of protection and support to witnesses and other participants in criminal offences between Units for witness protection within the Ministry of Internal Affairs of the Republic of Serbia, State Investigation and Protection Agency (SIPA) of Bosnia and Herzegovina and Police Department of the Republic Montenegro. The Agreement was signed on 20th July 2006 in Wahington, USA, in the occasion of the First International Symposium on witness protection. The above-mentioned agreement was confirmed by the Conclusion of the Government dated 30th August 2007.

8. Agreement between BSEC state members (Black Sea Economic Cooperation) on cooperation in the fight against criminal, in particular its organized forms, „Additional protocol on fight against terrorism referring to the Agreement between the Governments members of the Black Sea Economic Cooperation on cooperation in fight against criminal, in particular its organized forms“ signed by the Police Director, at the session of BSEC in Kiev, on 17th April 2008.

9. Protocol between the Ministry of Internal Affairs of the Republic of Serbia and the Ministry of Internal Affairs and Public Administration of Montenegro on preparation and organistion of regular meetings of representatives of Border Police authorities at central, regional and local level, and Protocol between the Ministry of Internal Affairs of the Republic of Serbia and the Ministry of Internal Affairs of the Republic of Macedonia on preparation and organistion of regular meetings of representatives of Border Police authorities at central, regional and local level.

Protocols were signed on 22nd February 2008.

Cooperation with Europol

Initiative for cooperation with Europol is present since 2002. Negotiations on conclusion of the Agreement of Cooperation initiated in 2005, but for numerous reasons the Agreement on cooperation has not been concluded yet. One of the reasons is lack of necessary legal regulations in the Republic of Serbia that are harmonized with EU standards in these spheres, and above all in the sphere of personal data protection.

Meanwhile, cooperation with Europol proceeded through participation of the Ministry of Internal Affairs representatives in the international seminars organized by Europol, as well as through participation in activities of regional organizations and initiatives having close cooperation with Europol.

After the breakdown of the State Union of SM, negotiations on conclusion of the Agreement of Cooperation between the Republic of Serbia and Europol continued on the basis of previous term of office of the EU Council which was related to the State Union, since Serbia was successor of all rights and liabilities of SM.

Delegation of the Republic of Serbia participated in the negotiations, held in the period 9-10th April 2008, at the headquarters of Europol, Hague, Netherlands. In that occasion text of the Agreement was agreed between the Republic of Serbia and European Police Bureau (Europol).

Short-term priority is signing of the Agreement on Strategic Cooperation between the Government of the Republic of Serbia and the European Police Bureau, while the signing of the operative agreement with Europol represents mid-term priority.

Cooperation with Interpol

Department for International Police Cooperation – National-central bureau M.O.K.P INTERPOL Belgrade, as of April 2003 is the integral organizational part of the Police Directorate – Criminal Police Department, the Ministry of Internal Affairs.

All tasks and liabilities deriving from the membership in M.O.K.P.- INTERPOL are being performed:

- activities in the sphere of internationally criminal and legal assistance;
- central record keeping /record of persons and files/;
- taking part in preparation of bilateral agreements on police cooperation;
- participation in teaching activities of educational institutions in the form of lecturings
- giving opinions on legal projects under jurisdiction of bodies of internal affairs.

Bilateral cooperation reflects in participation to the conclusion and harmonisation of the agreement, and memorandum/protocol/ on police cooperation of our government and governments of other countries.

The following projects have been implemented:

- Project of insertion of foreign warrants into the information systems of the MIA, Serbia ;
- Project of accessibility of all identification documents and documents used in public transport/project enabled that all police officers can use data in INTRANET of the MIA, Serbia/;
- Project of entering of all stolen or embezzled motor vehicles in Serbia into the ASF data base of M.O.K.P INTERPOL /searching in 181 country/;
- Control of motor vehicles in ASF data base of INTERPOL in the first registration with the competent services of the Ministry of Internal Affairs, Serbia;

- Project of national data bases of stolen or lost travel documents and its insertion into the ASF database of the M.O.K.P INTERPOL;

Implementation of the following projects is undergoing:

- Program projects for: card files, criminal record, international warrants N.C.B. INTERPOL Belgrade. Project for filing is underway;
- Networking project for sharing data and communication within National – central bureau of INTERPOL Belgrade and other services within the Ministry of Internal Affairs, Serbia, through virtual searching web.

Short-term priorities

- improvement of the cooperation with the Central national bureaus of foreign countries and international organisations and liaison officers of foreign countries;
- participation in development of softwares:
 - a) Extension of INTERPOL information system I-24/7;
 - b) Applications “Search for missing objects-weapon”
 - c) Training of the MIA officers for use of ASF Interpol database
- strengthening of the capacities of the Central national bureau INTERPOL Belgrade database:
 - a) Development of national DNA data base;
 - b) Development of the national data base of stolen weapon;
- Cooperation with the Board for control of narcotics and UN Commission for fight against drugs with head office in Vienna; Drug Enforcement Agency /DEA/
- Realization of tasks deriving from competences and authorisations of the Department for International Police Cooperation:
 - Delivery of sentences of County courts in order to keep central record on criminal offences of money and document forgery, money laundry, trafficking with narcotics and psychotropic substances and other criminal offences requiring centralization of the data pursuant to international agreements;
 - Carrying out of extradition of persons;
 - Provision of international legal assistance in criminal offences of money and documents forgery; money laundry, trafficking with drugs and psychotropic substances and other criminal offences requiring centralization of data pursuant to international agreements;
 - Proceeding upon international letter rogatories and transfer of sentenced persons.
- Achievement of standards stipulated by the M.O.K.P. INTERPOL Statute:
 - a) Introduction of 24 hours working time of the Department for International Police Cooperation;
 - b) Development of the program for follow up of police files/dossiers/;
 - c) Formation of strategic operative analytics;
 - d) Creation of conditions for compliance with INTERPOL standards
 - e) Expansion of Information System I-24/7 at national level

- Education of police personnel;

Cooperation with Frontex

Up to now, cooperation with Frontex was implemented through participation of the Ministry of Internal Affairs representatives in international seminars and trainings organized by Frontex.

The Ministry of Internal Affairs initiated establishment of cooperation with Frontex in a couple of occasions, but the formal cooperation followed after sending a Letter on intents for establishment of cooperation, in March 2008.

The above mentioned initiative resulted in the visit of the Agency experts, upon which draft document/agreement was delivered, which should regulate mutual cooperation of the Ministry of Internal Affairs and Frontex regarding the issues of operative cooperation in the sphere of border police.

Short-term priority – signing of the Draft document/agreement on establishment of operative cooperation.

Mid-term priority – development of capacities regarding stimulation of improvement of operative and mutual functioning between border authorities.

Fight against organized criminal

The issue of the fight against organized criminal, as per the regulation acts, is regulated in the Republic of Serbia by domestic laws and regulations and international agreements.

With regards to domestic laws and regulations, it should be indicated that in the current Law on Criminal Procedure, Chapter XXIXa contains special provisions on the procedure for acts of organized criminal.

In May 2006, new Criminal Code («Official Gazette of the Republic of Serbia», No 46/2006), which should enter into force on 1st January 2009, and which, inter alia, provides for special proceedings for organized criminal (secret, auditive and optical surveillance of provided simulated legal affairs, engagement of undercover investigators; surveilled delivery; automatic computer search of personal and other data, etc; hearings of the witness associates, etc).

As per the material criminal laws and regulations, it should be indicated that in 2006 Criminal Code of the Republic of Serbia entered into force («Official Gazette of the Republic of Serbia», No 85/2005, 88/05, 107/05) defining more criminal offences related to the organized criminal, such as human trafficking, children trafficking for adoption, money laundry. With regards to this law and repression of organized criminal, significant is the provision stipulating that no person can keep economic benefit obtained through criminal offence.

Law on organization and competences of state bodies in repression of organized criminal („Official Gazette of the RS“ No 42/02, 27/03, 39/03, 67/03, 29/04, 58/04, 45/05, 61/05) regulates education, organization, competences and authorizations of special organizational units of state bodies, with a view to detecting and criminal prosecution of criminal offence perpetrators containing elements of “organized criminal”.

This Law stipulates formation of specialized state bodies for fight against organized criminal, as follows:

- Special District Attorney Office – special department for repression of organized criminal in the Public District Attorney in Belgrade;
- “Agency for repression of organized criminal” has been established within the Ministry of Internal Affairs;
- District Court in Belgrade is competent for proceeding in criminal offence files in the sphere of organized criminal, as first instance court ("Special Department"), and Court of Appeal in Belgrade as second instance court ("Special Department").
- In the District Court in Belgrade, special detention unit for temporary arrest pronounced in the criminal procedure for organized criminal offences ("Special Detention Unit").

The following organisational units have been established within the Agency for fight against organized criminal, MIA:

- Department for fight against organized financial criminal, comprising three sections:
 - Section for money laundry repression
 - Section for repression of forgery of money and other payment means
 - Section for repression of corruption
- Department for fight against general organized criminal, comprising:
 - Section for repression of human trafficking and migrant smuggling.
 - Section for repression of kidnapping, extortions and blackmails with the elements of organized criminal
 - Section for repression of gun running and smuggling of dangerous substances
 - Section for repression of smuggling motor vehicles at international level
 - Section for repression of smuggling of cultural treasures
- Department for repression of drug trafficking:
 - Section for repression of trafficking of cocaine, heroin, marijuana and cannabis
 - Section for repression of trafficking of synthetic drugs and misuse of stimulants
 - Section for coordination, exchange of information and operative work
- Department for fight against high-technology criminal
 - Section for repression of electronic criminal
 - Section for repression of criminal in the sphere of intellectual property
- Department for operative telecommunications, permanent duty and security:
 - Section for operative telecommunications and crypto protection
 - Section for permanent duty and building security

Short-term and Mid-term priorities

- Adoption of the National Strategy for fight against organized criminal
- Planned and overall activities will be implemented in order to clarify organized forms of trafficking of narcotics, weapon, munitions, money and security laundry, corruption, as well as detailed investigation of all financial transaction through which criminal activities profit can be identified, and other measures that can contribute to prevention of "money laundry". Furthermore, intensive operative-intelligence and tactical-technical activities directed to organized criminal groups dealing with organisation of

kidnapping for ransom, extortion and various types of racketing, but other forms of organized criminal as well.

- In order to collect, classify and use all relevant data on organized criminal, cooperation will be intensified with all relevant services fighting against organized criminal in neighboring and other countries, through timely exchange of data, planning and carrying out joint activities, as well as other joint activities' that can be of interest for repression of organized criminal in out country and in the region. With that purpose, measures will be taken regarding identification of activities of organized criminal groups integrated in regional and international flows of organized criminal.
- In this sphere, cooperation will proceed with all relevant international organisations, working on provision of support to the services dealing with fight against organized criminal, and in particular, OSCE, Council of Europe, SEKI Center, UNODC. Activities within CARDS projects implemented within overall MIA reforms and in cooperation with the Council of Europe, and implying technical assistance to the countries in the region in the fight against organized criminal will be continued
- In the sphere of fight against organized criminal, cooperation with the liaison officers of those countries that have their representatives in the Republic of Serbia will be continued.
- Planned training of personnel will be organized for application of new methods in the fight against organized criminal and technical instruments for collection and processing of data on organized criminal, with a view to improving efficiency in the fight against organized criminal.
- Endeavors for better access to international instruments – conventions, their ratification, complete and consistent implementation of international standards for fight against organized criminal;
- Strengthening of cooperation of state bodies in the fight against organized criminal;
- Improving transparency in the work of state bodies; development of clear and objective measures for evaluation of performances of competent bodies in the fight against organized criminal;
- carrying out of joint regional investigations and operations of the Police, Prosecutor's Office and the Ministry of Justice.
- Training of police officers for participation in joint regional investigations and operations.
- Development of capacities for technical assistance in the enforcement of rules on protection of participants in the criminal procedure.
- setting up of criminal-intelligence system for more efficient collection and analysis of information on criminal, criminal offence perpetrators according to general methodology, development of capacities for support to institutional exchange of information on fight against organized criminal in the region,
- Definition of procedures and tools of special investigating techniques and harmonisation of rule with the European Union regulations.
- Creation of necessary material-technical conditions for independent and legal collection of evidences "through special measures of investigation techniques" by the Ministry of Internal Affairs, in compliance with the European standards.
- Adoption of regulations defining liabilities of telecommunication operators to certain state bodies, as well as definition and application of technical terms regarding public telecommunication networks for certain bodies.
- Strengthening of the existing capacities for financial investigations regarding organized criminal.
- Provision of adequate expertise and permanent on-the-job specialization of police officers dealing with fight against organized criminal,
- Adoption of necessary by-laws and amendments to the existing one with a view to setting up Criminal-intelligence System of the MIA of the Republic of Serbia, among others, through:
- Development of capacities for identification of organized criminal, collection and analysis of the collected data,
- Creation of necessary material-technical conditions for upgrading and networking of the existing systems of the Ministry of Internal Affairs, Tax Administration, Public Payment Administration, Customs Administration, Administration for prevention of money laundry, Republic Fund for Pension

and Invalidity Insurance of Employees, Business Register Agency, as a part of general information system of all state bodies, in compliance with the Law on Information System of the Republic of Serbia and other regulations.

Money laundry

Administration for prevention of money laundry is financial-intelligence service of the Republic of Serbia (Financial Intelligence Unit), which collects, processes, analyses and files all data received from taxpayers and in case of suspected money laundry, information and data of persons and transactions are forwarded to the competent state bodies, with a view to taking measures under their jurisdiction. It is founded by the Law on Prevention of Money Laundry, which entered into force on 10th December 2005, as a administration body within the Ministry of Finances. 123 civil servants work in the Administration for prevention of money laundry.

At the session of 27th March 2008, the Government of the Republic of Serbia defined the proposal of the Law on Prevention of Money Laundry and Terrorism Funding. The proposal of the Law on Prevention of Money Laundry and Terrorism Funding incorporates provisions of the Rule-book No 1889/2005 (*Regulation EC No 1889/2005 of the European Parliament and of the Council of 26 October 2005 on controls of cash entering or leaving the Community*), which are related to registration of cash and other transferable payment means cross the state border.

This proposal defines also the competences of the Administration for prevention of money laundry, as finance-intelligence service (FIS) of the Republic of Serbia, as well as the sphere of international cooperation between FIS of various countries, implementing, thus, the standards stipulated by the Decision of the Council No 2000/64/JXA (*Council Decision of 17 October 2000 concerning arrangements for cooperation between financial intelligence units of the Member States in respect of exchanging information 2000/64/JHA*).

Furthermore, this proposal regulated the competence of the Administration for prevention of money laundry regarding fighting terrorism funding, defining in that way role of the Administration in the overall fight against terrorism and implementing the standards listed in the Recommendation of the Council No 31999Y1223 (01) (*Council recommendation of 9 December 1999 on cooperation in combating the financing of terrorist groups*).

Short-term priorities

Adoption of the Law on Prevention of Money Laundry and Terrorism Funding is of utmost importance and represents short-term priority.

Project group composed of representatives of the Administration for prevention of money laundry, the Ministry of Internal Affairs, the Ministry of Justice, National Public Prosecutor's Office, the Supreme Court of Serbia and Safety-intelligence Agency, formulated Draft National Strategy for fight against money laundry and terrorism funding. All necessary opinions for that Draft have been procured, i.e. it is ready for adoption. One of the recommendations in that Draft refers to harmonisation of the Law on Payment Operations with the Rule-book No 1781/2006 (*Regulation (EC) No 1781/2006 of the European Parliament and of the Council of 15 November 2006 on information on the payer accompanying*

transfers of funds). Adoption of the National Strategy for fight against money laundry and terrorism funding also represents short-term priority.

Also, a short-term priority is employment of 10 more officers. Upgrading of technical capacities necessary for better enforcement of the Law on prevention of money laundry is also a short-term priority. The above-mentioned refers, above all, to quality, quantity, velocity and modality of data reception, as well as type and defined procedure for processing and filing of received data.

The Administration has implemented new software system within TMIS (Transaction Management Information System), implemented through the European Agency, which enables electronic collection of taxpayers' data.

There is also undergoing project of implementing Case and Document Management System into working procedures of the Administration. This project is implemented within PACO project, Serbia – Council of Europe.

3.24.6. Fight against terrorism

Criminal code of the Republic of Serbia ("Official Gazette of the RS", No 85/05, 88/05, 107/05), defines in the Article 312 criminal act of terrorism, criminal act of international terrorism in the Article 391, criminal act of terrorism funding in the Article 393, as well as more criminal offences with potential elements of terrorism (endangering safety of air traffic with violence, Article 292, airplane hijacking, ship hijacking and other transport means, Article 293, diversion from the Article 313, sabotage from the Article 314, unauthorised procurement and endangering of the safety with nuclear substances, Article 294, assassination of representatives of the highest state bodies, Article 310, hostage taking from the Article 392 etc.

Law on basis of security services organisation of the Republic of Serbia („Official Gazette of the RS“, No 116/07) regulates basis of the safety-intelligence system of the Republic of Serbia, directions and coordination of the activities of the safety services in the Republic of Serbia and its surveillance. Furthermore, Council for National Safety has been defined, as body of the Republic of Serbia performing certain affairs and tasks from the sphere of the national safety.

The Council maintains national safety by: considering mutual cooperation of all bodies in charge of defense and cooperation with safety bodies and services of foreign countries and international organisations. The Council directs and coordinates activities of the safety services, passes conclusions instructing cooperation of the safety services with the equivalent services of foreign countries and international organisations, passes conclusions coordinating activities of state bodies addressing international cooperation in the sphere of national safety and defense.

In the Republic of Serbia, the following institutions are in charge of fight against terrorism: the Ministry of Internal Affairs, the Ministry of Justice, the Ministry of Defense, and Safety-Intelligence Agency.

Within the Ministry of Internal Affairs, competent bodies for fight against terrorism are:

1. Criminal Police Department, Section for monitoring and research of the terrorism. Within the scope of activities of the Department for permanent monitoring of all safety-related phenomena and incidents on the territory of the Republic of Serbia and collection of operational knowledge related to persons, groups and organisations whose performances have religious or ethnical connections with terrorism, and with a view to preventing terrorist actions in the Republic of Serbia or use of the territory

of the Republic of Serbia for preparation or carrying out of such actions in other countries, as well as permanent monitoring of all phenomena and incidents in foreign countries, which can be associated with religion or ethnically driven terrorism, with a view to establishing potential connection to persons, groups or organisations which are active on the territory of the Republic of Serbia, or which have used that territory for their activities. In the sphere of investigation of identified individuals and groups, whose actions have relations to religion or ethnically driven terrorism, taking measures and actions on monitoring of their activities, collection of material and personal evidences, prevention of criminal offences, apprehension of perpetrators of criminal offences and cooperation with judicial bodies. Through International Cooperation Bureau of MIA and Interpol, establishment of cooperation with relevant services of other countries, in order to exchange operative knowledge on the activities of identified individuals, groups or organisations, which are associated to religion or ethnically driven terrorism.

2. Special Forces especially trained and equipped for proceeding in situations when armed resistance is required, hostage situations, and airplane hijacking etc. (Special Anti-Terrorism Unit, Anti-Terrorism Unit, Gendarmerie)

3. Regional Police Departments

Safety-Intelligence Agency is competent for the sphere of fighting internal and international terrorism, dealing with detection, monitoring, record keeping, prevention, repression and interruption of activities of individuals, groups and organisations directed to criminal offences of internal and international terrorism, by taking adequate measures and actions within the scope of its competences. Safety Intelligence Agency incorporates, in compliance with the Job Systematization Act, specialized organisational units which deal with affairs and tasks related to detection and repression of terrorism activities.

Within the Ministry of Defense there are Military Safety Agency and Military Intelligence Agency.

Cooperation in the fight against terrorism is also regulated by international agreements including the Republic of Serbia. As per the international agreements, it should be underlined that they refer both of certain conventions of United Nations and the Council of Europe. With respect to conventions of the Council of Europe, European Convention on repression of terrorism has been ratified («Official Journal of the FRY», international agreements No10/2001), while in 2003 Protocol on amendment of the European Convention of repression of terrorism has been signed, though it has not been ratified yet.

Also, in 2005, Convention of the Council of Europe on prevention of terrorism and Convention of the Council of Europe on laundry, detection, confiscation of assets obtained through criminal actions and on terrorism funding were signed, but not ratified.

Furthermore, it should be underlined that the existing concluded bilateral agreements on legal cooperation in criminal issues enable cooperation with other countries, when it addresses this type of criminal.

Short-term priorities

- All above-mentioned conventions should be ratified as soon as possible.
- Formulation of the National Strategy for fighting terrorism.

3.24.7. Cooperation in the field of combat against drugs

3.24.7.1. Legislative framework

This area is regulated by the following laws:

- 1) Criminal Code, Article 246. Unauthorised production, possession and trafficking of narcotics; Article 247. Prevention of drug addiction
- 2) Law on production and trafficking of narcotics
- 3) Law on substances used in unauthorised production of narcotics and psychoactive substances (Law on precursors)

By adopting the 1988 Declaration of the United Nations General Assembly Special Session (UNGASS), all member countries are obliged to create and implement their programs for reduction of supply and demand of narcotics by 2008.

RS Government established Committee for prevention of psychoactive substances (alcohol and drugs) abuse in December 2004. This Committee formulated Proposal of the Drug Prevention Strategy in the Republic of Serbia, for the period from 2008. to 2012, and submitted it to the Government for adoption.

The document provides for the RS Government to pass the action plan for implementation of the Strategy annually, during the period from 2008. to 2012. The Strategy proposal is harmonised with the European Union Drug Prevention Strategy and other international documents (Council of Europe recommendations, UN conventions, etc.) that regulate organised drug prevention. This document proposal is primarily based on the principle of basic human rights respect: respect of human dignity, freedom, equality, solidarity, as well as on respect of democracy and rule of law.

Main objective of the Strategy is upgrading and preservation of population's health by reducing drug abuse and harmful consequences, caused by drug abuse, to the health of an individual and society in general. Basic components of the Strategy are: coordination and cooperation, reduction of accessibility of drugs, minimizing drug demand, education, communication, research and evaluation.

3.24.7.2. Institutional Framework

According to the job classification of the Ministry of Internal Affairs of the Republic of Serbia, it is prescribed that 217 employees work on suppression of narco-trafficking.

Current fulfillment of job positions prescribed by the job classification is 40% of the total number prescribed by the Ministry of Internal Affairs, for the entire territory of the Republic of Serbia.

In relation to the issue, prevention and suppression of narco-trafficking on the territory of the Republic of Serbia and its geographical position, prescribed number of officers is not sufficient for the implementation of the National Strategy. Therefore, it is necessary to strengthen personnel in respect of increasing the number of officers, in order to act upon the existing issue promptly and in compliance with the Strategy of EU.

As mentioned before, the Department for suppression of narco-trafficking is operating within the Office for the combat against the organized crime through activities of three sectors. According to the new job classification of the Ministry of Internal Affairs of the Republic of Serbia, based on the Law on Police Force, this Department starts to take over the performance control and co-ordination of all organisational units dealing with suppression of narco-trafficking. First two sectors deal with organized cocaine, heroine and marijuana trafficking, as well as with production of syntethic drugs and abuses with the precursors. Activities of the third sector are focused on co-ordination and operational coverage and engagement of police administration employees working in the field of narco-trafficking suppression on the entire territory of the Republic of Serbia.

Internal strategy has been formulated according to these issues, and it includes the concept of functioning of the Department for suppression of narcotics trafficking within the Office for combat against organised crime, as well as tasks of the Criminal Departments of the district police headquarters. Within that the objectives, needs and duties have been defined, with the common task to upgrade trafficking suppression performance. In order to achieve this goal, it is necessary to establish unique data base on this issue, better technical equipment and faster realization of operational team stuffing. Subsequently, it is necessary to organize education of the employees, set up new work concept, define deadlines for implementation of activities and permanently monitor the achievements.

Short - term and medium - term priorities

- Adoption of the National Drug Preventions Strategy

- In the area of trafficking prevention, intensive activities shall be undertaken for detection of organized groups dealing with drug trafficking, identification of their leaders, by applying adequate operational and strategic measures and actions, with the aim to proving organized drug trafficking. Also, work on realization of already initiated operational processing in 2007 shall be continued, and it shall lead to apprehension of large number of persons and interception of trafficking channels.

- In cooperation with other organisational units of the Ministry of Internal Affairs, operational control of foreign trade companies shall be performed in order to establish criminal responsibility of individuals, when there is suspicion of trafficking of narcotics into our country and out of it.

- Cooperation with Custom Authorities - Department for suppression of trafficking shall be continued, for the purpose of interception of international trafficking channels.

- Work with Department for operational analysis shall be intensified for the purpose of extending data base on perpetrators of criminal offences related to the illegal narcotics trade, with the aim to systematically and analytically monitor this area of organised crime.

- The international co-operation will be continued through regional conferences, direct contacts with liaison officers and through bilateral agreements, as well as through communication with liaison officers in our country.

3.24.8. Customs cooperation

3.24.8.1.1. Legislative frame

Customs procedures performed by customs officers are regulated by the Customs Law (“Official Gazette of the Republic of Serbia“, no. 73 from 18th July 2003; 61/05) and Regulation on allowed acting with customs goods, permission of customs goods and payment of customs debt (“ Official Gazette of the Republic of Serbia, no. 127 from 23rd December 2003; 20/04, 24/04, 63/04, 104/04, 44/05, 71/05, 76/05) and they became effective since 1st January 2004.

The second crucial law within customs system, The Law on Customs tariff (“Official Gazette of the Republic of Serbia“, no. 62/2005 и 61/2007), as well as respective Regulation on harmonisation of tariff nomenclature (“Official Gazette of the Republic of Serbia““, no. 112/2007), and according to report of the European Commission on development of Serbia in 2007, enable complete harmonisation of tariff nomenclature with combined nomenclature on the European Union and classification of Harmonized system. (Customs tariff of EU, CELEX no. 31987R2658-Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff, OJ L 256, 07.09.1987.; complemented with CELEX no. 32007R1214-Commission Regulation (EC) 1214/2007 of 20 September amending Annex I to Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff, OJ L 286, 31.10.2007.)

Also, the obligation of issuing binding notices and deadlines for issuing are identical with respective regulation of the EU (CELEX no.31993R2454-Commission Regulation No 2454/93 of 2 July 1993 laying down provisions for implementation of Council Regulation (EEC) No 2913/92 establishing the Community Customs Code, OJ L 253,11th October1993.)

Concerning international cooperation and within the scope of bilateral customs cooperation, Customs Administration of the Republic of Serbia applies Agreements on mutual support regarding customs issues, being legal basis for information exchange with foreign customs administrations, i.e France, Austria, Greece, China, Germany, Poland, Italy, the USA, Macedonia, Bosnia and Hercegovina, Croatia, Bulgaria, Romania, Slovakia, Czech Republic, Turkey, Hungary, Montenegro and Russia. Agreements have been concluded with Slovenia and Iran.

Customs administration has concluded Memorandums on Understanding with several enterprises and they represent legal frame for more intensive cooperation against customs misuses, above all against prevention of drug smuggling, intellectual property rights protection, as well as towards increase of procurement chain security. Liabilities and rights of the parties are closely defined by special instructions as well as all aspects of cooperation between Customs Administration of Serbia and these enterprises. Except from general security measures, measures for the security of premises and staff security, which are used to prevent various aspects of smuggling, liabilities include delivering of various information and other data which might be useful in discovering and researching fraud attempts.

3.24.8.1.2. Institutional frame

Customs administration is an executive body within Ministry of Finance. The new personnel plan, adopted in the first half of 2008, stipulates increase of the total number of employees, so accordingly customs service will employ 2706 customs officers.

In accordance with recent reorganisation of the customs service, Customs Administration has 6 departments (Department for customs dealings and international customs cooperation, Department for tariff dealings, Personnel and general affairs department, Department for finance, investment and legal issues, Department for control of customs regulations, Information technology department), 2 independent divisions – audit division and internal control divisions and director's bureau as well as 13 customs offices (regional organisational units).

The most significant changes, introduced through this reorganisation are concerned with Department for control of customs regulations, above all with strengthening of organisational units for analysis and risk management within the department, as well as formation of the unit for subsequent control for the first time. Thus, special attention has been paid to strengthening of customs service security function

Customs service introduced distant learning program, i.e. e-learning system of World customs organisation. Apart from that Customs Administration of Serbia applied for the program Customs 2013 and accession is expected to take place till the end of 2008.

Information system is complex and robust, interactive and integrated system, distributive-centralized with over 2000 pages and about 2500 users – customs officers. It is made of the network of local servers (50 servers) connected with central one (*mainframe*) communication of star network type.

Information system supports all basic customs procedures (transit and other allowed acting with customs goods) in the Republic of Serbia, as well as other functions necessary for the work of customs service. The system works 24 hours a day, 7 days a week and 365 days a year.

3.24.8.2. Short-term priorities

3.24.8.2.1. Legislature

Ministry of Finance prepared the draft of the new Customs law and sub-legal acts, which are expected to be adopted till the end of 2008 and implemented from 1st January 2009. The draft of the Customs law is completely harmonized the Customs law of EU in terms of general provisions (CELEX no. 31992R2913-Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code, OJ L 302, 19.10.1992.). In terms of specific provisions the draft of the law is not completely harmonized, since some specific provisions are reserved only for the European Union members (i.e specific provisions which regulate „the new computerized transit system“ – NCTS.).

It is planned to adopt new Behaviour Code for customs officers, which will determine general rules of customs officers' behaviour on the work and out of work, as well behaviour in the public and among colleagues. The current Behaviour Code was adopted in 2003 and the main reason of its innovation was the need to define codes of behaviour more precisely and concretely in order to strengthen integrity of customs service and prevention of corruption.

Permanent implementation of Strategy for integrated border management is not only short-term but also long-term priority of the customs service.

Having in mind that agreements on mutual help regarding customs issues of Ukraine and Albania were initialized, their conclusion is likely to take place.

3.24.8.2.2. Institutions

Having in mind duration of the project “Strengthening capacities of the Department for the customs regulations application control of the Customs administration of Serbia in accordance with the best practice of the EU”, which is planned to be financed by pre -accession funds of the EU – IPA 2008, its implementation represents both short-term and middle-term priority. The project is planned to be implemented gradually, and until the end of 2014.

Project components will start in 2009 and it is planned to build technical specification and project work for consultants in charge of training until the end of 2009.

Also, it is planned to adopt new information system development strategy for customs services, application of which will support all working processes, and the emphasis will be put on simplified procedures.

3.24.8.3. Middle-term priorities

3.24.8.3.1. Legislature

Permanent harmonisation of customs service’s legal regulation with respective regulations of the EU.
Monitoring of strategy for Integrated Border Management implementation.

Continuation of works on conclusion of the Agreement on mutual support regarding customs issues with France and Greece who were included in procedure of innovation of current agreements, not only with Great Britain, Australia, Moldova, Cyprus and Byelorussia, who were already included in procedure of agreement conclusion.

Technical preparations for the accession to EU Convention on usage of information technologies for customs purposes will be performed.

3.24.8.3.2. Institutions

It is necessary to procure 8 stationary radiation monitors for radioactivity control on borders, specific equipment for the purposes of exercising control by employees of the Department for customs regulations application control, procurement of needed equipment due to equip regional centres for customs services training, as well as to realize training of all employees of the department (150 of them) and by 7 theoretical modules and 17 specific modules.

3.24.8.4. Financial needs

3.24.8.4.1. Budget

Required financial means for realization of the project are EUR 3.200.000, 00.

24.8.4.2. Foreign support

The project will be completely financed from pre -accession funds of IPA 2008.

Judicial cooperation in civil and criminal matters

The issue of court cooperation in criminal and civil matters with other countries in the Republic of Serbia is regulated by domestic legislature, i.e. concerning criminal-legal matter by the Statute on

criminal proceeding and by the Law on litigation concerning civil-legal matter, as well as concluded bilateral and multilateral international contracts and Conventions the Republic of Serbia accessed to. International agreements have precedent over domestic legislature, i.e. domestic legislature is to be applied in case if there is no concluded agreement, and/or if it exists, certain issues are not regulated by it.

Domestic legislature stipulates all basic forms of international legal cooperation.

As far as bilateral agreements are concerned, it should be said that these agreements exist only in about 40 countries. Regarding Council of Europe Conventions, it should be emphasised that the Republic of Serbia accessed to all aforementioned Conventions, and concerning United Nations conventions and conventions of their organisations referring to international legal cooperation, it should be said that over 50 conventions are effective between the Republic of Serbia and other countries.

Legal cooperation with other countries is very intensive and large, particularly with the countries in the region. All forms of international legal support are used both in criminal and civil matters, and new forms of international legal cooperation have been developed recently like video conference hearings and formation of mutual research teams.

International legal cooperation develops through Ministry of Justice, with Department for normative dealings and European integration as well as Department for international legal help being part of it. In case of emergency cooperation develops over International organisation of criminal police INTERPOL. Delegations of ministries have attended several seminars on theoretical and practical aspects of legal support in the past few years, above all criminal matters, including the most significant institutes – extradition, admission and execution of foreign court verdicts, transfer of accused persons and so-called small international legal support in criminal matters.

Short-term priorities

With a view to have better and complete cooperation in criminal and civil matters, as short-term priority, ratification has to be planned, i.e. conclusion of the following conventions i.e. agreements:

1. Protocol for the change of the European convention on prevention of terrorism;
2. Council of Europe Convention on prevention of terrorism;
3. Convention on cyber criminal with additional protocol;
4. Council of Europe Convention on human trafficking;
5. Council of Europe Convention on laundering, search, confiscation of profit acquired by criminal activities and on terrorism financing.
6. The Hague Convention on submission of court and non-court papers referring to civil or commercial issues from 1965;
7. The Hague Convention on finding proof in civil and commercial issues from 1970;
8. The Law on international-legal support in criminal matters, with instruction on providing international legal support in criminal matters which is suppose to regulate the issue of European order to arrest;
9. The Law on international legal help in civil matters (or eventual guidelines for acting in providing international legal support in civil matters);
10. Conclusions of bilateral agreements on legal help with some countries, like the Republic of Italy, India and some other countries.

Concerning middle-term priorities, activities should be initiated with respect to actual and regional competences of all courts, considering that tendency of modern legal traffic is immediate communication of judicial bodies.

Also, data base should be prepared for judiciary personnel who will deal with international legal support matters, above all with criminal matters.

It is necessary to intensify activities with respect to education of judges, public attorneys and officers of Ministry of Justice dealing with matters of international legal support, and in that sense provide suitable technical equipment.

3.25. SCIENCE AND RESEARCH

3.25.1.1. Present state

Currently in Serbia there are about 8,500 scientists who are into research work in around 100 registered science and research organizations (SRO) and at about 80 faculties. The Republic of Serbia founded about 35 SRO, while other SRO operate as research units within companies.

Scientific and research activity in Serbia is financed in accordance with the Law on Scientific and Research Activity. The Law envisages budgetary funds for research extended exclusively through science-research and development projects, and financing of other expenditure related to the field of science – through special programmes stated in the Law. As different from other countries, budget funds intended for scientific and research activity can only be allocated to science-research organizations registered in the Ministry of Science provided that they meet defined requirements. The reason these conditions are so stringent is that budget resources are limited – if they increase, one could expect financing requirements to be relaxed.

In order to build up a knowledge-based society, Serbia too has become an active agent in the European research community. Namely, 2001 saw initiation of the process of revitalization of scientific and research capacities, and development of an innovative society and basic innovative infrastructure that underpins rapid and sustainable development.

Every year substantial budget funds are earmarked for the promotion of conditions necessary for performing scientific and research activity. Research groups from Serbia are involved in programmes of cooperation with the EU (since 2001 Serbia has been involved in the COST programme, Fifth Framework Programme of the EU, and since 2002 in the Sixth Framework Programme as a third country, while it has been a full member of the Seventh Framework Programme since 2007, including the programme of mobility). Our country since June 2002 has also been a member of the EUREKA programme.

Law on Innovation Activity encourages the creation of an innovative system that encompasses education, scientific and development research, and development and work of innovative companies. The national innovation system should enable the transfer of knowledge into economy and society, development of technological innovations in industry as well as development and work of new innovative companies. It is necessary to develop an innovation-oriented chain that links all important subjects when it comes to the creation of new and internationally competitive innovative products and services. It has to ensure realization of creative ideas with as little waste of time and resources as possible.

Memorandum of Understanding between the European Community and the Republic of Serbia on the Republic of Serbia's joining of the Seventh Framework Programme of the European Community for Research, Technological Development and Demonstration Activities, which contributes to the creation of the European Research Area and Innovations (2007-2013), signed in July 2007, envisages that Serbia would participate in activities of the Seventh Framework Programme of the EC in keeping with requirements stipulated by the Framework Agreement and in line with goals, deadlines and requirements set in the Memorandum of Understanding and its annexes.

3.25.1.1.1. Legislative framework

Scientific and research activity in Serbia is financed in accordance with the Law on Scientific and Research Activity (Official Gazette RS, no 110/05 and 50/06 – correction). The Law envisages budgetary funds for research extended exclusively through science-research and development projects,

and financing of other expenditure related to the field of science – through special programmes stated in the Law.

Law on Innovation Activity (Official Gazette RS, no 110/05 and 50/06 – correction) encourages the creation of an innovative system that encompasses education, scientific and development research, and development and work of innovative companies.

By the end of 2003 the Government of the Republic of Serbia adopted a conclusion which incorporates Lisbon recommendations of 2000 as well as the ‘3% objective’ related to budget allocations for research and development by 2010, established in Barcelona in 2002. This conclusion envisages budget allocations for scientific and research activity to the amount of 1% of GDP in 2007. However, due to insufficiently rapid economic development the current budget allocation is about 0.4% of GDP, while investment on the part of economy is negligibly small (less than 0.1% of GDP). It has to be noted that budget funding at this moment, although pretty limited, is several times larger in relation to 2001. Though investments since 2001 have been on the increase, in absolute terms (*per capita*) they have not reached the level that countries which recently joined the European Union have (20-25 euros *per capita* annually).

3.25.1.1.2. Institutional framework

As stated in the Law on Ministries (Official Gazette RS, no 43/07), ‘Ministry of Science is in charge of state administration affairs that refer to: the system, development, and promotion of science and research activity which props scientific, technological, and economic development; formulation and implementation of the policy and strategy of scientific and technological development; formulation and implementation of programmes of scientific, technological, and development research; training of staff in scientific and research work; formulation and realization of the innovation policy; fostering of techno-entrepreneurship, transfer of knowledge and technologies into economy; development and promotion of the innovation system in the Republic of Serbia; developed functioning of the system of scientific and technological information and programmes of development of scientific and technological infrastructure; research in the field of nuclear energy; security of nuclear objects; production and management of radioactive material, except in nuclear energy plants; as well as other activities prescribed by legislation.

3.25.2.1. Short-term priorities

3.25.2.1.1. Legislation

Given that science is a field where harmonization of legislation is not done, it is necessary to adopt an integrated research policy. Designing of this policy is both a short-term and a mid-term priority.

In order to overcome obstacles such as long-lasting isolation, fragmentation, and obsolete equipment that science and research community in Serbia disposes of as well as to cope with many negative consequences that such state-of-affairs produced, it is necessary to invest efforts into achievement of the following goals:

1. Serbia should as soon as possible reach the level of investments in research and development that transition countries in Europe that later became the EU members had in 2000 (minimally 20 euros *per capita*), which requires budgetary allocations of 150 million euros, and
2. Taking into consideration the Lisbon Declaration of the EU on attaining funding for research and development of 3% of GDP, it is necessary that Serbia too should substantially raise the share of research results in the increase of GDP by then.

Except for increased investments in research and development, it is necessary to ensure its impact on economic growth too. The best way of doing this for certain is to boost the interest of economic entities for introduction of new technology, and that not only by replacing technologies with investment in innovation that would be realized in small and medium-sized companies, but also in cases when high investments in development and capital equipment is not needed, i.e. where human knowledge and a creative research and highly skilled work exists, and when there are possibilities of creating conditions for development and production of internationally competitive products. Analyses and assessment done so far indicate that these conditions are met through information technology (development of an applicative software, bioinformatics), biotechnologies (agro-biotechnology), and genomics (molecular biomedicine).

In cases when research requires huge investments, one should build up research human resources capable of mastering the knowledge of these technologies so that they could become mainstays of its application in industry later. These technologies involve nanotechnology, especially nano-materials, as well as technologies that rely on renewable energy resources.

In order to accomplish the defined goals and reach the planned level of investments in science and research work, it is necessary to do the following:

- To formulate integrated policies related to research, taking into consideration regional needs and capacities;
- To determine dynamics of the growth of budget research allocations;
- To define complementary measures for increasing investment of industry and the private sector in research (e.g. tax incentives);
- To define incentives for innovative research work;
- To define measures for the increase in the number and mobility of researchers, without the ‘brain drain’;
- To determine the procedure for mutual recognition of research titles, both in countries within the region and throughout the whole European research area;
- To develop a network of national contact persons with the view of providing support to researchers and greater participation in the Seventh Framework Programme of the EU;
- To create databases of researchers and research institutions, as a kind of support to the process of networking of researchers with European partners and establishment of business connections between sectors of research and economy;
- To organize a larger number of centres of excellence with the critical mass of researchers.

3.25.2.2. Mid-term priorities

3.25.2.2.1. Legislation

Given that science is a field where harmonization of legislation is not done, it is necessary to adopt an integrated research policy. Designing of this policy is a mid-term priority as well.

Raising budgetary allocations for research and establishment of incentive measures for innovative research work are long-term priorities.

3.25.2.2.2. Institutions

The institution that is in charge of enforcing the Law on Scientific and Research Activity and the Law on Innovation Activity is the Ministry of Science.

Table 1
Employment needs of public institutions

Institution	Is it an existing or a planned institution	Present number of employees	<i>Planned (total) no of employees (by year)</i>				
			<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Ministry of Science	Existing	50					
Total		50	50	50	50	50	50

3.26. EDUCATION AND CULTURE

3.26.1. Education

3.26.1.1. State of Play

The education is conducted as pre-school education, primary education, secondary education, and higher education.

Pre-school education involves children from age one until they are enrolled in primary school. In the Republic of Serbia, institutionalized pre-school education is organized in pre-school institutions whose founder is the local municipal government (171 institutions), other legal entity (38 private kindergartens), and in primary schools which organize the preparation pre-school programme (134 primary schools). The total percentage of children involved in all kinds of institutional pre-school education is slowly increasing (32% in 2002, around 36% in 2005/06, and 38% in 2007/08).

The network of pre-school institutions is based on the principle “one municipality – one institution”. The Act on the network of children kindergartens is passed by the municipal assembly, based on the criteria issued by the Government. There is a great regional imbalance in conditions and material basis for conducting this activity. Children with special needs also have the right to free pre-school education within regular educational and development groups, while the children on long hospital treatments have the same treatment within hospital groups. For the children coming from ethnic minority groups, the educational work is bilingual, or in the minority language. Special programmes established by the Ministry of Education that also include pre-school institutions and partners from the local community are aimed at increasing the involvement of children from sensitive groups (integration of Roma children into one year pre-school programmes).

In the Republic of Serbia, nine year primary education is obligatory since the 2006/07 school year. This period is consisted of pre-school year for children aged 5.5 to 6.5 years of age (data indicate that at the beginning of the 2006/07 school year 99.6% of the children were involved in this programme), and primary education in the first and second cycle (four + four years). Primary education is conducted in primary schools, primary schools for adults, primary music and ballet schools, and primary schools for children with special needs.

The network of primary schools is very scattered and uneven due to specificities of the local tradition, multi-ethnic regions, and regions inhabited by ethnic minorities, which all together creates obstacles to smooth implementation of the education process and requires additional financial resources. There are schools with over 3,000 pupils, and schools with less than 50 pupils. The most important reasons for this situation is the birth rate decrease and population migrations. At the beginning of 2006/07 school year, all together there were 3,551 schools and detached classes. International school students have the same treatment as public school students, just as the students of six private primary schools that were verified by the Ministry of Education. With the entrance of private and international kindergartens and schools to the system, the competition was raised, which has caused improvement in the work of public institutions, and it also opens new possibilities to make the network more rational. It is necessary to prepare the expert analysis of the effects of rationalisation in the education quality domain.

Among other changes, the reform of primary education brought new curricula. One foreign language is obligatory since grade one, and second foreign language is obligatory since grade 5. The health

education is integrated into the curricula of the existing subjects. The list of obligatory optional classes and facultative classes was introduced for both cycles. Information technology was introduced to both primary educational cycles. In the first cycle IT is optional class (From Toy to Computer), and in the second cycle it is obligatory (Data Processing and Computers). In order to improve the quality and keeping the educational work up to date, all novelties first have the experimental phase.

Education of children coming from ethnic minority groups is organized threefold: (1) in their mother tongue, (2) bilingual, (3) in Serbian with studying of the mother tongue and elements of national culture (113 primary schools are bilingual, and in three primary schools three languages are used).

Education of children with special needs is organized in 52 schools for education of students with special needs, in special classes within regular primary schools, and as a part of inclusion programme in the classes of regular schools.

Primary education for adults is organized in schools for adult education, and it can also be organized in every primary school which has adequate space, equipment and educational materials, as well as curriculum, adequate staff and sufficient number of students.

According to the 2002 census, around 235,000 people are illiterate, while 24% of the population has only completed the primary school. According to the data of the Republic Agency for Statistics, the largest numbers of illiterate people reside in undeveloped municipalities.

Secondary education is conducted in high schools of different types, lyceum, (general and specialized), vocational schools, mixed school, art school, adult high school, and high school for students with special needs. The school can provide food and lodging for students (school with dormitories).

The network of high schools in Serbia is consisted of 535 schools, out of which 111 are lyceums, 317 are vocational schools, 39 are art schools, and 29 are for students with special needs. Serbia also has 35 private high schools (lyceums and vocational schools). General secondary education is obtained in general lyceums with four modules: general, natural sciences and mathematics, data processing, and social sciences and languages, while there are also specialised high schools for languages and mathematics. The secondary vocational education is obtained in 15 areas of work for around 250 profiles in a three or four year curriculum.

The classes are conducted in Serbian and in the languages of ethnic minorities. In the realm of general education, complete curricula are offered in Hungarian, Romanian, Ruthenian, Slovak, and Albanian, while vocational education is available in Hungarian, Slovak, Romanian and Albanian language. The Bulgarian minority can obtain secondary education in Serbian language, with additional classes of Bulgarian language with elements of national culture.

In the secondary education reform process, 58 professional profiles were created in 12 areas of work in 164 schools. The new curricula are the result of labour market needs for new knowledge and skills, as well as for improvement of existing knowledge. DACUM (professional standard development and curricula development technique in accordance with the profession description) analysis was used in the curricula development process. The first phase of the Secondary Education Reform Programme for Vocational Schools included establishment of Centres for Permanent Adult Education. An evaluation of their work was made after four years of operation (end of 2007), and the results are surprisingly positive, and that a significant improvement was made, and that means that their number should be increased due to constant need for professional training of both employed and unemployed persons.

One of the preconditions for the reform of vocational education is the new definition of professions and their inclusion into wider professions, and that should create the basis for development of profession standards. The next step will be the establishment of the National Qualifications Network, which will

encompass all qualifications obtained in formal and informal education and formation, on all levels of education, including the continuous vocational education, and that will define the qualification levels compatible with the European Qualifications Network. Modernization of this education segment requires a different role of the vocational schools, which have to become flexible and thus satisfy the needs of the employment market needs with its programs. Providing quality includes the self evaluation and external evaluation systems, then it also includes exams, monitoring of new curricula, and accreditation of institutions and programmes through certificates and diplomas, besides additional training for teachers, introduction of modern teaching methods, information technology and professional cooperation and partnership.

Higher education is acquired during the professional and academic studies within three levels: first is basic, second is bachelor – master and specialised studies, and the third is doctoral studies. Today, there are 14 universities in Serbia, seven are public (with 84 faculties), founded by the Republic of Serbia, and seven private universities (with 51 faculties), whose founders are individuals and legal entities. According to the law on higher education, all faculties have the same rights and obligations, regardless of the founder. Universities also engage in scientific research and art work with the aim of developing science and creativity.

There are 197,660 students all together in all state owned universities and faculties, while there are 41,050 students in the privately owned; more specifically, there are 238,710 students in all types and levels of studies, while 111,950 of them are financed from the republic budget. Two-year colleges that have successfully completed the accreditation procedure and obtained the working licence from the Education Ministry have transformed themselves into higher professional schools – at the moment there are 50 of those with 49,786 students, out of which 14,728 are financed from the republic budget.

After the new Law on higher education was enacted, the Conference of Universities of Serbia was formed, having as members all accredited universities. Conference of Academies of Professional Studies was also formed, having as members the accredited academies of professional studies and two-year colleges of professional studies. Both bodies have nominated the members for the National Council for Higher Education, which was appointed by the Assembly of the Republic of Serbia. The Council has, on its part, appointed the members of the Commission for Accreditations and Revision of Quality, that exists as the working body of the Council. Based on the new law, the Education Ministry has created new student booklets, diploma templates, and [diploma annexes](#).

3.26.1.2. Legal Framework and Strategic Documents

The activities in the area of pre-school, primary and secondary education are regulated by the Law on the Basis of Education System (Official Journal of the Republic of Serbia, No. 62/03, 64/03 - revised, 58/04, 62/04 – revised, 79/05 – other law, and 101/05 - other law) which has, in a unique way, regulated the foundations of the pre-school, primary and secondary education related to education goals, methods and conditions of implementing the activity, types of programmes, establishment, work, financing and overview of institutions work in the area of education, authority of the management body, management, expert and advisory bodies of the institutions, conditions of work for teachers, kindergarten teachers and expert associates and work/legal status of the employees. Enactment of this law created obligations that separate laws have to regulate with more detail the areas of pre-school, primary and secondary education. Until the new laws are passed, the following laws will be in use: Law on Primary School (Official Journal of the Republic of Serbia no. 50/92, 53/93, 67/93, 48/94, 66/94, 22/2002, 62/2003, and 64/03) and the Law on Secondary School (Official Journal of the Republic of Serbia no. 50/92, 53/93, 67/93, 48/94, 24/96, 23/2002, and 62/2003).

Law on higher education (Official Journal of the Republic of Serbia no. 76/05) that regulates the higher education system has brought Serbia closer to the European higher education system. Following

this law, much secondary legislation was passed that regulate relations within higher education institutions.

Activities of all participants in the education process are also based on the following documents:

1. National Action Plan for Children
2. Millennium Development Goals
3. Poverty Reduction Strategy
4. Roma Education Improvement Strategy
5. Adult Education Strategy in the Republic of Serbia
6. Improvement of the Conditions for People With Special Needs in the Republic of Serbia
7. Professional Education Development Strategy in the Republic of Serbia
8. Strategy for Fight Against Human Trafficking in the Republic of Serbia
9. Strategy for Health Development of Young People in the Republic of Serbia
10. National Strategy for Fight Against Drugs in the Republic of Serbia
11. National Strategy for Fight Against AIDS

3.26.1.3. Institutional Framework

The authority of the Education Ministry is regulated with paragraph 18 of the Law on Ministries (Official Journal of the Republic of Serbia no. 48/07), and its work is organized in eight sectors (Sector for Pre-School and Primary Education, Sector for Secondary Education, Sector for Higher and University Education, Sector for Pupil and Students Standard, Sector for Inspectoral and Overseeing Activities, Sector for Education Development and International Education Cooperation, Sector for Normative and Legal Matters and Harmonization of Regulations, Sector for Financial Matters), and 19 school directorates (whose role is the expert and pedagogical overview and support to institutions in the area of professional improvement and space planning).

In order to provide and improve quality and development, and monitoring of the education system, the Law on Education System Basis provides for establishment of the Institute for Education Improvement, and Institute for Education Quality and Evaluation.

Institute for Education Improvement is constituted of the following organizational units: Centre for Strategic Development (strategic goals and objectives of the education system in the process of life long learning; providing of adapted education), Centre for Curriculum and Handbook Curricula (preparation of curricula separated by level and type, and approval of handbooks and teaching equipments), Centre for Professional Development of Employees (improvement and development of the permanent professional improvement system, and professional development of the employees of the institution), and Centre for professional and artistic education (development, monitoring and assurance of expert and artist education quality).

Institute for Education Quality and Evaluation is consisted of the Sector for Standards and Evaluation, and Sector for Organization and Technical Support.

In order to establish the direction and quality improvement of pre-school, primary and secondary education, a 42 member National Education Council was formed, including the president, and the members are appointed by the National Assembly of the Republic of Serbia for a six-year mandate. The Council also decides on general basis of pre-school programme, curricula and plans for primary and secondary education and upbringing, and basis of upbringing programme; it drafts programmes of the final and graduation exam in primary and secondary education and upbringing, special pre-school education and upbringing programmes, professional formation and training; it discusses, takes stands, and gives opinion to the Ministry in the process of creating laws and other acts that regulate matters that are important in the field of education and upbringing; it establishes levels and types of education and

upbringing quality standards, and general and special knowledge standards; quality of the textbooks and teaching aids; space, equipment and teaching aids; knowledge, skills, and abilities of the headmaster, for the teaching professionals and their professional advancement, etc.

Socioeconomic Council of the Republic of Serbia has 18 members (Government of Serbia, representative trade unions, and representative employer associations have six members each) and it was founded in 2005. The Council is in charge of education, especially professional education, and among other things, it discusses issues of development and improvement of the collective negotiation, employment policy, and education and professional training.

In the field of higher education, the Law on Higher Education has established two independent bodies, with a four year mandate.

National Higher Education Council has 16 members and is appointed by the National Assembly. It monitors the development of higher education and its compatibility with the European and international standards and suggests to the Ministry the higher education policy; it gives opinion in the process of bringing rules that regulate issues of importance for higher education activities, and on higher education institutions enrolment policy; it suggests to the Government the norms and standards of work of higher education, as well as material resources to achieve these norms; it sets scientific, art, or professional fields in the framework of established educational/scientific or educational/artistic fields; it establishes self evaluation standards and evaluation of higher education institutions quality; standards and procedures for accreditation of higher education institutions and study programs; gives recommendations about more specific conditions for awarding the title of teacher; defines the list of expert, academic and scientific titles with the indicator of adequate study level from adequate fields and abbreviations of professional, academic and scientific titles; and

The Accreditation and Quality Control Commission that has 15 members (three from each education/scientific, or education/artistic field) from different areas, and they are appointed by the National Council. The members come from among the tenure professors, scientists, artists and experts, following the nomination of the Conference of Universities. The Commission suggests to the National Council the standards for issuance of work permission, standards and procedure for accreditation of the higher education institutions and study programmes; it conducts the accreditation procedure of institutions and study programmes in the field of higher education, decides on accreditation applications and issues certificates of accreditation on the template whose content it has defined; it takes care of the accreditation standards and procedures harmonization within the European higher education region; it assists and cooperates with higher education institutions and their units in providing and improving their quality.

Right after they were established, they passed the rules on self evaluation standards and grading of higher education institutions quality of work, standards for external quality control of higher education institutions, as well as standards for accreditation of higher education institutions and study programmes.

3.26.1.4. Short Term Priorities

- Passing the Law on Pre-School Education and Upbringing
- Passing the Law on Elementary School
- Passing the Law on Textbooks and Teaching Aids
- Passing the Law on Pupils and Students Standard of Living
- Passing the Law on Student Organization
- Establishment of a unified education and upbringing information system

- Elaboration of special measures for increased inclusion of children from vulnerable groups (Roma children, children from socially and economically vulnerable communities, children with special needs) into a special pre-school programme
- Balancing the conditions of access to quality education and upbringing by larger investments in underdeveloped municipalities
- Introduction of evaluation and self evaluation systems for schools and kindergartens, and pre-school development planning
- Creation of final exam program in primary education and upbringing
- Adoption of action plans for realisation of Professional Education and Formation Strategy of the Republic of Serbia, and Adult Education Strategy of the Republic of Serbia
- Expansion of experimental professional profiles in secondary vocational schools in 2008/2009 school year

3.26.1.5. Mid Term Priorities

- Increase education resource allocation from GNP to 6% as the basic prerequisite for providing quality education for all
- Amendments and additions to the Law on Higher Education
- Increase of inclusion of children into quality pre-school education and upbringing (50%)
- Reform of financing of all levels
- Strengthening the capacities for implementation of inclusion education and upbringing (material, technical, financial, professional, programmatic)
- Establishment of mechanisms of identification and support of talented and gifted children and pupils through the education system
- Define quality standards for pre-school and primary education and upbringing, and provide mechanisms for their implementation
- Definition of National Qualifications Framework
- Founding of National Agency for Professional Education and Adult Education
- Founding of National Council for Professional Education that will also act as the national body for qualifications for the time being
- Founding of the Agency for European Programmes
- Passing the Law on Lyceums
- Passing the Law on Adult Education
- Establishment of the certification and accreditation system in professional education and formation
- Regulating of the national final exams in primary and secondary education
- Definition of education standards in secondary education
- Definition of standards for teachers
- Increased number of Regional Centres for Lifelong Professional Adult Education

3.26.1.6. Employment Plan

Institution	Current Planned	/	2007.	Planned number of employees
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			2008.	2009.	2010.	2011.	2012.
Ministry of Education	Current						
Institute for Education and Upbringing Development	Current						
Institute for Education Quality and Evaluation	Current						
National Agency for Professional Education and Adult Education	Planned						
Agency for European Programmes	Planned						

3.26.1.7. Financial Needs

	2008.	2009.	2010.	2011.	2012.
From the budget	105.000.000	110.000.000	115.000.000	120.000.000	125.000.000
Other sources					

3.26.2. Youth

3.26.2.1. State of Play

3.26.2.1.1. Youth Population in Serbia and Their Educational Level

According to the 2003 Census, the Population of Republic of Serbia is 7,498,001⁶⁴.

The total number of **young** persons (aged 15-29) was 1,512,646, which represented 20.2% of total population; 50.8% are male and 49.2% are female.

In spite of almost 60 years of constitutionally guaranteed free and obligatory primary education and upbringing, 3.4% of Serbia's population is illiterate, and 22.3% have not completed the primary school⁶⁵. Among young people aged 15 to 30, 0.6% are illiterate, and 4.7% have not completed primary school.

The primary school completion rate between the years 2000 and 2006 was between 92% and 99%, while the rate of continuation of studies was between 97% and 99%⁶⁶. However, the

⁶⁴ Source: Republic Statistics Institute, Population Census 2002 (without data for Kosovo and Methohija)
<http://webzrs.statserb.sr.gov.yu/axd/index.php>

⁶⁵ Census 2002, Republic Statistics Institute

⁶⁶ Statistical Yearbook 2007, Republic Statistics Institute

estimate is that both rates are significantly lower, especially if it is taken into account that there is no statistical data on unregistered citizens that do not have the right to education. Completion of primary education is one of the priorities of the Millennium Development Goals⁶⁷, and the accomplishment of this goal is of special interest to the young people.

Majority of countries that have a developed education system with obligatory primary education tend to extend the obligatory level to secondary education, and to increase the inclusion in the higher education and adult education. According to the 2002 Census data, the educational structure of the population aged 15 to 30 (the youth population) is as follows: 5% have not completed primary education, 33% have completed secondary education, 14% have completed a two or three year vocational secondary school, 31% have completed a four year vocational secondary school, 9% have completed the lyceum, 2% have completed higher school, 3% have completed university studies, while there is no data for 3% of the youth. The rate of abandoning⁶⁸ school in secondary education was 2.3% in 2005/2006.

In regard to transfer from secondary to higher education, the gross rates of enrolment reach high levels (64.7% in 2006/2007). Although a large number of young people enrol in the university, the studies take long (six years in average), while a small number graduates in a regular period (21.7% in 2006). However, it should be noted that the average time for completion of college studies is showing a decreasing trend, from 6.46 in 1997 to 5.64 in 2006, while the percentage of those who graduate on time is showing growth tendencies since 2002.

3.26.2.1.2. Participation of Youth in the Society Through Youth Organizations

Active search for possible institutional solutions for improvement of the position of young people in their communities was initiated in 2003 at the local government level. The result of this effort was establishment of a few local bodies in some local administrations. Activities of the Provincial Secretariat for Sports and Youth are especially significant – it has been actively implementing measures for improvement of the position of young people in Vojvodina since 2002 as part of the Autonomous Province of Vojvodina Youth Policy Action Plan.

Youth organizations are the most important shape of youth cooperation, and their most significant result is the establishment of the Youth and Sports Ministry, which was created as a result of active four year lobbying of the Youth Coalition of Serbia, other civic organizations and political party youths. Generally speaking, there are two groups of youth organizations: those formed by young people gathered around one issue, and those whose focus is on work with young people but don't necessarily have only young people as members. According to the data provided by the Centre for Development of Non-Profit Sector, 138 civic organizations have stated that their areas of work are youth and students. However, it is not possible to find the exact number of organizations that work with young people because a clear classification of "youth association" does not exist. Out of the stated number, 60 are student organizations, 43 are local organizations, while there is a larger number of regional and geographically focused organizations, ethnic minority organizations, organizations of people with special needs, organizations of unemployed people, and other specific associations.

According to the Article 98 of the Law on Basis of the Education and Upbringing System, in the last two years of the primary school, and in the secondary school student parliament can be formed. The work

⁶⁷ National Millennium Development Goals in the Republic of Serbia, 2006

⁶⁸ Rate of abandoning is the difference between the number of students at the beginning of the school year, and at the end.

programme of the parliament is treated as a part of the school work programme. Student parliaments can create their association. However, there are significant problems in functioning of these parliaments because of the lack of clear definition of the role, rights and obligations, nor the operations framework of these parliaments. Although a high percentage of students (96%) are aware of the existence of the parliament, only 21% know what the parliament does, 50% partially know, while 25% don't know what the parliament does. Research has shown that 88% of the students are not active in the work of parliament.⁶⁹

Regarding the gender issue, participation of young women in youth associations is high. The Students Union of Serbia is an organization that has other organizations as members, so there is no individual membership, but the interviewed students claim that there is gender equality, and that the members are 50% women, and 50% men⁷⁰.

3.26.2.1.3. Mobility of Young People

Although more than 80% of the young people are apt to traveling, one quarter of them has not had a chance to travel for summer vacation, and more than three quarters of the interviewees could not afford to travel for winter vacations. Only 15% of the Serbian youth regularly travels abroad, once a year in average, and 49% has not been abroad in the last five years⁷¹. Among secondary school students, according to the latest research, 24% of high school students has not traveled anywhere in the last two years. 44% of high school students has never traveled abroad, 15% has traveled once, 17% two or three times, and 23% more than three times (the term *abroad* did not include the territory of former Yugoslavia)⁷².

Material conditions and visa regime had negative influence on the mobility of young people, especially on certain groups, but above all on the poor, unemployed, refugees, and displaced persons.

3.26.2.1.4. Development Directions of Youth Policy in the Republic of Serbia

At the session held on May 9, 2008, the Government of the Republic of Serbia has adopted the **National Youth Strategy** (NYS). Preconditions for NYS development were the following: wide consultation process, research about young people and cooperation between state entities, non government sector, and young people. This Strategy is an attempt to synchronize the youth needs, specificities of Serbia, and 11 indicators for youth recommended by the European Council⁷³. Simultaneously with the finalization of the NYS, the work has begun on development of Strategy Implementation Action Plan. The Action Plan will relate to the period from 2008 to 2014, and it is expected to be finished in September of 2008⁷⁴.

The draft National Youth Strategy foresees establishment of an umbrella Youth organization and opening of Youth Offices on all levels, as one of the basic instruments for its implementation. Establishment of National Youth Agency is also planned. This Agency would deal with international

⁶⁹ Center for Free Elections and Democracy (2005): Development and Engagement of Youth in the Local Community – Student Parliament – First Step Towards Democracy

⁷⁰ Bigini, S. (2007): Report on youth and youth policy in Serbia, UNIFEM, Programme office in Belgrade

⁷¹ Association of Citizens Civic Initiatives (2002): *Research of the Position and Needs of Youth in Serbian Local Communities*.

⁷² Psychology Institute (2007): *Day to Day in Serbia: Snap Shot of the Time Budget*.

⁷³ Peter Lauritzen (2002): European Council Directorate General for Youth and Sports.

⁷⁴ www.zamislizivot.org : Web site that contains all relevant information about preparation process of the National Youth Strategy, as well as the document draft. NYS will be published on the web site in English after it is adopted by the Government.

cooperation programmes. Apart from that, it is suggested that the Law on Youth be passed, a series of guidelines in the field of youth policy, which would define the meaning and realm of work of youth workers, the difference between the organizations for youth and youth organizations, etc.

One of the priorities of the Ministry for Youth and Sports is capacity building and further strengthening of **youth associations**, and associations that work with young people. Representatives of the Ministry for Youth and Sports are members of the European Council Executive Board for Youth, Advisory Board for Youth, and Expert Research Network.

After the initiative of the European Council, the youth campaign “All Equal – All Different” started on July 23, 2007 in Serbia. Due to the fact that the National Agency for Youth still has not been formed, Serbia could not have participated directly in the “Youth in Action” programme, but it did through the Salto Youth SEE Centre. The programme was supported through NGOs – points of contact (*Hajde da...*, *Kuća za mlade*).

3.26.2.2. Legal Framework and Strategic Documents

Republic of Serbia does not have a general law on youth. Besides recently adopted NYS, the only strategic documents that relate directly to youth are Youth Health Development Strategy, Youth Action Plan in Vojvodina, Local Youth Action Plan of the municipality of Arilje, and Local Youth Action Plan of the municipality of Pančevo.

Serbia doesn't have specific sources of information regarding the number of volunteers, volunteer programmes, nor the participation of youth in voluntary activities. Moreover, there is no bill that regulates the voluntary work issues. Some regulations deal with matters related to voluntary work, but there is no regulation that would deal this kind of work in a general way. The Labour Law foresees the possibility of closure of contract on voluntary professional internship or trainee programme, aimed at fulfilling the mandatory trainee period and passing the competence exam, or professional improvement, acquiring special knowledge or skills for work in a certain profession, and specialisation.

3.26.2.3. Institutional Framework

3.26.2.3.1. National Level of Youth Policy management

The Ministry of Youth and Sports was formed in May of 2007, based on the Law on Ministries (Official Journal of the Republic of Serbia no. 43/07). According to the Proceedings on Amendments and Additions to the Proceedings on Internal Organization and Systematisation of Work Places in the Ministry of Youth and Sports (112-01-1/2007-01/2 dated December 4, 2007) three basic internal units were formed: Sector for Sports, Sector for Youth, and Sector for Project Management. Secretariat of the Ministry and Minister's Cabinet are separate internal units.

Apart from the Ministry for Youth and Sports, the following institutions have direct authority to work with the youth: Education Ministry, Ministry of Science, Ministry of Health, Ministry of Interior, Ministry of Labour and Social Policy, Ministry of Culture, Ministry of Telecommunications and Information Society, Ministry of Justice, Ministry of Defence, Ministry for Economic and Regional Development, Foreign Ministry, Environment Protection Ministry.

3.26.2.3.2. Regional Level of Youth Policy management

For the time being, only the Autonomous Province of Vojvodina has certain authority in managing youth policy, and this authority is defined by the Law on Specific Authorities of the Autonomous Province. Respecting the principle of subsidiarity, the Ministry of Youth and Sports has started the process of opening regional youth offices (offices in Kragujevac, Loznica, Subotica and Užice are in the process of opening). The regional offices will coordinate the work of local youth offices. On the Provincial level, the Provincial Secretariat for Sports and Youth of the AP of Vojvodina has created the Youth Policy Action Plan for Vojvodina (2005-2008) that was already adopted⁷⁵.

3.26.2.3.2. Youth Policy Management on the Local Level

Although the authority of the local governments regarding youth policy is not defined by the Law on Local Government, numerous municipalities have recognized the youth as one of its priorities and have developed and/or adopted Local Youth Action Plans and/or have created Local Youth Offices.

Before the Ministry of Youth and Sports was created, seven local youth offices were opened, six local youth action plans were prepared, out of which two were adopted by the local authorities. In the period between May of 2007 and May of 2008, 35 local youth offices were open with the assistance of the Ministry of Youth and Sports. The strategic goal of the Ministry is for every municipality to have the local youth office, as well as for every county to have the regional youth office.

3.26.2.4. Short Term Priorities in Youth Policy

When deciding on youth policy priorities, special attention was paid to goals and principles given in the National Youth Strategy, which is completely in accordance with the EU regulations and existing state and sector strategies that relate to youth policy.

3.26.2.4.1. Legal Framework

<i>Short Term Priorities (2008-2009)</i>	
Priority	Deadline
Preparation and adoption of the Action Plan for NYS Implementation (2008-2014)	September 2008
Creation of legal framework to form the youth umbrella organization	October 2008
Adoption of the new Law on Sports	October 2008
Completion and adoption of the Sports Development Strategy	September 2008
Passing the Law on Volunteering	March 2009
Preparation of Law on Youth	During 2009

3.26.2.4.2. Institutions

Until the end of 2008, according to the plan, the following employees need to be hired permanently:

1. Three additional employees in the Department of Analysis, Planning, Strategy, Normative Issues and Harmonisation of Regulations With EU Legal System

⁷⁵ Vojvodina Youth Action Plan, www.omladina.info

2. Two additional employees in the Department for Programmes in the Field of Youth Policy
3. One additional employee in the Department for Cooperation With Young People
4. One additional employee in the International Cooperation Group

Short Term Priorities (2008-2009)	
Priority	Deadline
Opening of local youth offices in all municipalities	November 2009
Strengthening capacity of youth associations	permanent activity
Participation in the EU activity <i>Youth in Action</i> (through points of contact)	during 2009
Implementation of Action Plan activities that are planned for 2008 and 2009	during 2008 and 2009
Increasing the mobility of young people	permanent activity
Strengthening capacity of the Ministry staff	during 2008 and 2009

3.26.2.5. Long Term Priorities in Youth Policy

3.26.2.5.1. Legal Framework

Mid Term Priorities (2010-2012)	
Priority	Deadline
Implementation of the activities foreseen by the Action Plan for implementation of NYS (2010-2012)	during 2010, 2011 and 2012
Adoption on Law on Youth	March 2010

3.26.2.5.2. Institutions

Employment needs of state institutions

Institution	State whether the institution is existing or planned	Current no. of employees	<i>Planned (total) number of employees (by year)</i>				
			2008	2009	2010	2011	2012
Sector for Youth	Existing	8	8	-	-	-	22

Mid Term Priorities (2010-2012)	
Priority	Deadline
Participation in the EU activity <i>Youth in Action</i> (through points of contact)	during 2010, 2011. и 2012.
Opening of National Youth Agency	November 2011.
Strengthening capacity of youth associations	permanent activity
Professional development of the Ministry staff	permanent activity

3.26.2.6. Financial Needs of the Ministry of Youth and Sports (MYS)

	2008.	2009.	2010.	2011.	2012.
MYS from the budget	3.696.102.000	4.000.000.000	4.300.000.000	4.600.000.000	5.000.000.000
Sector for Youth from the budget	670.000	800.000	860.000	920.000	1.000.000
MYS from other sources					
Sector for Youth from other sources					

3.26.3. Culture

3.26.3.1. State of Play

The Ministry of Culture performs public administrative tasks which pertain to the development and promotion of culture and artistic creativity; monitoring and research in the field of culture; provision of material basis for cultural activities; development and promotion of literary and translated works, and music-and-stage works, works of visual and applied arts and design, as well as cinematographic and other audio-visual works; protection of cultural property; promotion of the work of libraries and publishing houses and engagement in cinematographic and music-and-stage activities; endowments, foundations and funds; public information system; activities of foreign information institutions, foreign media, foreign correspondent's offices and foreign correspondents in the Republic of Serbia; registration of foreign information institutions and providing assistance to foreign journalists and correspondents in their work; cooperation in the field of cultural heritage protection, cultural creative work and information in the language and alphabet of the members of Serbian community in the region; founding and development of cultural-information centres abroad, as well as other duties stipulated by law – Article 20 of the Law on Ministries (Official Journal of the Republic of Serbia no. 43/2007).

3.26.3.2. Legal Framework

Current Laws

1. Law on Activities of General Interest in Culture (Official Journal of the Republic of Serbia no. 49/92)
2. Law on Heritage Protection (Official Journal of the Republic of Serbia no.71/94)
3. Library Law (Official Journal of the Republic of Serbia no. 34/94, 101/2005)
4. Law on Endowments, Foundations and Funds (Official Journal of the Republic of Serbia no. 59/89)
5. Law on reconstruction of cultural and historical heritage and development support of Sremski Karlovci (Official Journal of the Republic of Serbia nos. 37/91, 53/93, 67/93, 48/94, 101/2005)
6. Law on Establishment of the Museum of Genocide Victims (Official Journal of the Republic of Serbia nos. 49/92, 53/93, 67/93, 48/94, 101/2005)
7. Law on Matica Srpska (Official Journal of the Republic of Serbia no. 49/92)
8. Law on Cinematography (Official Journal of the Republic of Serbia nos. 46/91, 53/93, 56/93, 67/93, 47/94, 48/94, 101/2005)
9. Law on independent artistic or other work in the field of culture (Official Journal of the Republic of Serbia nos. 39/93, 42/98)
10. Publishing Law (Official Journal of the Republic of Serbia nos. 37/91, 53/93, 67/93, 48/94, 135/2004, 101/2005)
11. Law on the Serbian Literary Society (Official Journal of the Republic of Serbia no. 20/97)

Regarding the Library Law, it can be said that there is a partial accordance of this law with the EU recommendations, which can be seen in the second paragraph of the Resolution on Cooperation of Libraries in the Field of Data Processing from 1985. Concretely, *the use of new technologies for data processing and dissemination* could be identified with Article 10, point 7, of the Library Law. The general interest in the field of librarian activities in the view of this law is “creation and development coordination of a unique library-information system on a common information technology in the republic” and with Article 2, point 8 of the Law on Activities of General Interest in Culture: “creation of a unique library-information system and basic function of libraries”.

Participation of the Republic of Serbia in the EC Culture 2007-2013 Programme

Memorandum of Understanding on participation of the Republic of Serbia in the Culture 2007-2013 Programme was signed in Brussels in February of 2008 between the European Community and the Republic of Serbia, which marked Serbia's official joining of this Community programme. The financial contribution of the Republic of Serbia to the EU General Budget for participation in the Culture 2007-2013 Programme will be partly financed from the national budget, and partly from the first IPA component "Support in Transitional Process and Institution Building". It is planned that IPA funds cover 50% of the contributions for the 2008-2013 period. In order to further implement the Programme, implementation body was formed on the national level, called Cultural Contact Point, whose role is to promote the Programme, make participation in the Programme accessible, to maintain permanent contacts with different institutions and organizations, giving support to the cultural sector, and provide information to potential candidates in regard of financial support according to the terms of Community's cultural mechanisms.

3.26.3.3. Institutional Framework

According to the current Proceedings on internal organization and systematization of work places in the Ministry of Culture, the following basic internal units exist, among others: Sector for Heritage Protection, Sector for Contemporary Creation, Cultural Industry and Cultural Relations, and the Sector for International Relations, European Integrations and Management Development in the Area of Culture.

The Sector for Heritage Protection does work related but not limited to the following: monitoring and analysis of the heritage protection situation (monuments and artefacts, archive materials, film archives, museum exhibits, old and rare books) and recommendation of measures for their improvement; monitoring and analysis of the situation in the field of archiving and libraries, and recommendation of measures for their improvement; solutions in proceeding issues regarding heritage protection; monitoring of expert work of institutions that work on heritage protection and libraries; monitoring of proceedings in the area of protection of monuments and artefacts.

The Sector for Contemporary Creation, Cultural Industry and Cultural Relations monitors and analyses the situation in the field of literature and publishing, contemporary visual art and multimedia, music and discography, performance art, cinematography, recommendations for their development and financing; studying of language situation in the area of culture; preparation of analysis, reports and information on the state and development of cultural industry and recommendations for its improvement; normative work from Sector's realm of authority; monitoring of professional work of cultural institutions in the field of creativity; amateurism; initiating and programming of international activities in the field of creativity; activities related to care about improvement of cultural activities of ethnic minorities and ethnic communities, as well as interethnic cultural cooperation; cooperation in the field of cultural creativity in the language and alphabet of Serbs in the region; initiating and programming international bilateral cooperation in the field of creativity.

The Sector for International Relations, European Integrations and Management Development in the Area of Culture does work related but not limited to the following: activities related to coordination, monitoring and reporting on harmonization process of the regulations in the field of culture and media with the EU regulations; initiating, participating, monitoring and reporting on implementation of the process of institutional changes in state administration in the field of culture and media necessary to adapt to conditions and standards of the EU; coordination of the cultural and media employees education process for the needs of EU accession; cooperation with in line entities of the Republic of Serbia in the projects lead by UNESCO, European Council, EU, Working Community of Danube Countries and other international government and non-government organizations; recommendation of programmes for gathering and distribution of international assistance, implementation and monitoring of their use; creation and development of cultural/information centres abroad.

Regarding the training related to the European integration process, one employee of the Sector for Cultural Heritage Protection, two employees of the Sector for Contemporary Creation, Cultural Industry and Cultural Relations, and seven employees of the Sector for International Relations, European Integrations and Management Development in the Area of Culture have attended trainings regarding European integration.

3.26.3.4. Short-term priorities

3.26.3.4.1. Legislative framework

The priority of the Ministry of Culture is implementation of the Convention on Protection and Promotion of Diversity of Cultural Expressions (UNESCO, 2005), adopted at the Serbian Government's session in October 2007 and sent for ratification to the Serbian Parliament. This Convention is a referential legislative framework providing guidelines for creation of legal framework by adoption of a general Law on Culture and other laws on individual cultural activities on the national level.

Draft Law on Culture is in the stage of harmonization with the line ministries, and it identifies the general interest in culture and regulates the way of exercising the general interest in culture and performing cultural activities. The European Integration Office provided an opinion stating that the Draft Law on Culture is aligned with the requirements set by the European *acquis*. According to the Treaty of Foundation of the European Community, certain policies have a status of horizontal ones, i.e. there is an effort to incorporate the goals of these policies into other sectoral policies. Article 6 of the EC Founding Treaty envisages that environment protection obligations must be integrated with education and implementation of other EC policies defined by Article 3 of the Treaty, especially aiming at promotion of sustainable development. The policy of education and cultural development of the member states also belongs to policies covered by Article 3. Having in mind the afore mentioned, the Draft Law on Culture defines cultural environment as one of the principles underlying the general interest in culture and its exercising, and it is considered an integral part of environment, aiming at achieving sustainable development.

In the period 2008/2009 adoption of new regulations is planned and they will regulate the area of exports (temporary/permanent) of cultural assets and assets that enjoy preceding protection in accordance with the principles of WTO. In this period, adoption of new Law on Museum Corp and Museum Activities is planned, and it will completely cover the area of issuing export licences for cultural assets and assets that enjoy preceding protection. This law is going to be entirely aligned with the regulations of the EU and WTO.

Beside these laws, the Law on immovable cultural heritage, Law on archives and archive service, Law on endowments and funds and the Law on old and rare librarian corps are being drafted.

3.26.3.4.2. Institutional framework

Draft Law on Culture envisages foundation of a new agency – the National Culture Council. As an expert and advisory body, the National Culture Council will act for the purpose of providing permanent expert support in conservation, development and dissemination of culture and it consists of renown artists and authors, experts and scholars on culture, appointed by the National Assembly of the Republic of Serbia.

The National Culture Council: monitors and appraises the status of culture in Serbia; provides suggestions in creation of cultural policy; gives proposals for development and enhancement of cultural activities; gives proposals during the draft stage of Programme for cultural development and gives an

annual assessment of its implementation; monitors the work of expert committees of the Ministry and gives suggestions and proposals for regulation of other issues in the area of culture, as well as interministerial cooperation (science, education, town planning, international cooperation, etc); deals with other affairs in accordance with this Law.

3.26.3.5. Mid-term priorities

3.26.3.5.1. Institutional framework

The new draft Law on Libraries, planned to be adopted in the period 2009-2010, has taken into consideration all the recommendations from the EU, EBLIDE(European Bureau of Library, Information and Documentation Associations), UNESCO, etc.

3.26.3.5.2. Institutional framework

The Ministry of Culture's priority is permanent training of staff, but given the restrictive measures in recruiting new staff, it is plan to, first of all, train the Ministry's employees in order to improve sectoral policies, strategic planning and evaluation.

Table 1.

The needs of state agencies/institutions for staff recruitment

Name of the administrative/institutional unit	Existing or planned	Current number of employees	Planned (total) number of employees (per annum)				
			2008	2009 ⁷⁶	2010	2011	2012
The Ministry of Culture:							
Sector for Cultural Heritage Protection		11	9				
Sector for Contemporary Creativity, Culutral Industry and Cultural Relations (without cinematography)		12	12				
The sector for international relations, European integration and development of management in culture		10	10				
Total							

3.26.3.6. Financial needs

Table 2A⁷⁷ The needs of the Ministry of Culture (MK)

⁷⁶ The number of employees is only exemplary

⁷⁷ Table „2A“ is a sum of funds stated in Table “2B” and Table “2V”

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities/ ⁷⁸					
Building administrative/institutional capacities (premises, staff, equipment...)					
Infrastructure ⁷⁹					

Note:

State the amount in EUR for each year separately.

For foreign assistance state what foreign assistance specifically.

Table 2B The Budget of the Ministry of Culture (MK) – local source

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities					
Building administrative/institutional capacities (premises, staff, equipment...)					
Infrastructure					

Table 2V The Budget of the Ministry of Culture (MK)– foreign source (*Twinning*, technical assistance, IPA/bilateral)

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities <i>(policy)</i> Implementation of the EC Programme Culture 2007-2013	IPA – for the communautaire programme Culture 2007-2013 – 53,500 EUR	IPA- for the communautaire Programme Culture 2007-2013 – 53,000 EUR	IPA for the communautaire Programme Culture 2007-2013 – 52,500 EUR	IPA – for the communautaire Programme Culture 2007-2013 – 52,000 EUR	IPA – for the Programme Culture 2007-2013 – 51,500 EUR
Building administrative/institutional capacities (premises, staff, equipment...)					
Infrastructure					

⁷⁸ Additional costs generated in regulations implementation are not direct administrative costs, e.g. social assistance, assistance to consumer protection organizations, assistance to NGOs...

⁷⁹ Building facilities in areas where it is possible to state: roads, airports, railway, infrastructural works, “Schengen” borderline...

3.27. ENVIRONMENT

State of play

Chapter VIII, Article 111 and Article 97 of the Stabilisation and Association Agreement defines environment related issues pertaining to forestry.

The 2008 European Partnership defines the following environmental priorities:

Short-term priorities:

- Accelerate harmonization of laws and standards with the EU *acquis*;
- Implement adopted laws, in particular in the area of environmental impact;
- Commence with the Kyoto Protocol implementation;
- Adopt and implement the National Environmental Protection Strategy;
- Strengthen administrative capacities of bodies in charge of planning, licensing, controlling, monitoring and project management; strengthen local level capacities and ensure operational coordination between local and central levels;
- Continue further development of and commence with the implementation of waste management plans, and begin the construction of hazardous waste recycling and safe disposal facilities;

Mid-term priorities:

- Ensure full implementation of laws that have been harmonized with the EU legislation;
- Implement relevant international conventions and the Kyoto Protocol;
- Adopt and commence with the implementation of Air Pollution, Waste Management and Environmental Protection Strategy;
- Fully implement the National Environmental Protection Strategy and Water Strategy;
- Continue strengthening national and local level administrative capacities in charge of environmental issues;
- Implement years-long environmental policy financing plan, including the investment plan for this area;
- Complete the construction of facilities for hazardous waste disposal;

The adoption of the following environmental strategic documents is planned in the short term, i.e. until the end of 2009:

- **The Sustainable Development Strategy of Serbia** – this strategy should provide a framework for Serbia’s sustainable economic development, while offering practical measures for resource preservation combined with rapid progress in relevant segments of Serbia’s EU accession. The strategy structure rests on three sustainable development “pillars”: knowledge-based economy, socio-economic issues and environment. The solutions offered by the National Sustainable Development Strategy are embedded in the European integration process: EU Sustainable Development Strategy adopted in 2001 and revised in 2006, and EU Lisbon Strategy. The Strategy has been aligned with the UN Millennium Development Goals and Republic of Serbia

National Millennium Development Goals adopted in 2006 by the Government of the Republic of Serbia.

- **The National Environmental Protection Program** (hereinafter referred to as the National Program), based on sustainable development principles, has been aligned with basic principles of The Sixth Community Environment Action Program. Pursuant to the Law on Environmental Protection, action plans for the following areas will be adopted: spatial planning and landscape design development, soil protection, water protection, air and atmosphere protection, forest protection, eco-system protection, protected natural assets, waste management, chemicals management, ionizing and non-ionizing radiation protection, accident protection, protection against noise and vibration, sustainable energy management, information system development, scientific research, education and training development, economic instruments development and implementation, etc.
- **The National Children's Environment and Health Action Plan (CEHAP)** is aimed at implementing obligations undertaken at the Budapest Conference "Environment and Health".
- **The First Framework Action Plan related to Environmental Education for Sustainable Development, as well as the obligations stemming** from the United Nations Economic Commission for Europe (UNECE) Education for Sustainable Development Strategy, i.e. the obligations of member states of that region when implementing this Strategy to adapt its elements to local conditions.

The adoption of the following environmental strategic documents is planned in the short term, i.e. until the end of 2012:

- Sustainable Use of Natural Assets and Resources Strategy, based on the provisions of the EU Framework Strategy on Sustainable Use of Natural Resources, will be adopted by the end of 2010.

3.27.1. Horizontal legislation

3. 27. 1. 1. State of play

3. 27. 1.1.1. Legislative Framework

The Law on Environmental Protection, Law on Environmental Impact Assessment, Law on Strategic Environmental Impact Assessment, Law on Free Access to Information of Interest to the Public and Law on Ministries include the area of horizontal legislation.

In December 2007 the Government of the Republic of Serbia adopted the Draft Law on Ratification of the UNECE Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (Aarhus Convention) which is scheduled for adoption by the Parliament in the last quarter of 2008. Information accessibility and public participation in decision-making, i.e. all three pillars of the Aarhus Convention have been integrated into the above mentioned laws. The National Plan for Aarhus Convention Implementation remains yet to be adopted

Regulation 1210/90 (EC) on the Establishment of the European Environment Agency and the European Environment Information and Observation Network (EIONET) has been transposed with the establishment of the Environmental Protection Agency pursuant to the Law on Ministries (2004) which provides for cooperation between this Agency and the European Environment Agency and EIONET. International obligations stemming from the Aarhus Convention PRTR Protocol and Regulation 166/2006/EC have been transposed into the Rulebook on Methodology for Compiling an Integrated Polluters Emission Register which was adopted in 2007 (Official Gazette No. 94/2007), providing basis for the Environmental Protection Agency to establish and keep the Integrated Polluters Emission Register. Council Directive 91/692/EEC Standardizing and Rationalizing Reports on the Implementation of Certain Directives Relating to the Environment has been transposed into the Law on Environmental Protection.

Directive 2003/35/EC Providing for Public Participation in the Decision-making Process Related to the Environment has been entirely transposed into the Law on Environmental Protection, the Law on Strategic Environmental Impact Assessment, the Law on Environmental Impact Assessment and the Law on Integrated Pollution Prevention and Control (IPPC Law).

Directive 2003/4/EC on Public Access to Environmental Information has been transposed into the Law on Environmental Protection, Law on Free Access to Information of Interest to the Public, Law on Environmental Impact Assessment, Law on Strategic Environmental Impact Assessment and Law on Integrated Pollution Prevention and Control.

Directive 2001/42/EC of the European Parliament and of the Council on the Assessment of the Effects of Certain Plans and Programs on the Environment has been transposed into the Law on Strategic Environmental Impact Assessment (Official Gazette of the Republic of Serbia, No. 135/04).

Directive 85/337/EC on the Assessment of the Effects of Certain Public and Private Projects on the Environment (as amended by Directives 97/11/EC and 2003/35/EC) has been transposed into the Law on Environmental Impact Assessment (Official Gazette of the Republic of Serbia). All the by-laws necessary for the implementation of the Law on Environmental Impact Assessment have been passed, enabling full transposition of all Directives and implementation of this law. In 2007 the Republic of Serbia ratified the [Convention on Environmental Impact Assessment in a Transboundary Context \(Espoo Convention\)](#).

Directive 2004/35/EC on Environmental Liability with Regard to the Prevention and Remedying of Environmental Damage has not been entirely transposed into the national legislation. The Law on Environmental Protection contains provisions pertaining to civil and legal liability resulting from property damage caused by an act of pollution. It is necessary to separate the concept of damage to environment from the concept of civil and legal liability, and to regulate the administrative procedure which serves to establish civil and legal liability, as well as prevention and remedy procedure should there be any need to do so, all in keeping with the requirements of this Directive.

Recommendation 75/436/Euratom on the Application of the Polluter Pays Principle has been entirely transposed into the Decree on Types of Pollution, Criteria for Calculating Environmental Pollution Compensation and on the Entities Required to Pay Compensation, Amount of Compensation, its Method of Calculation and Payment (Official Gazette of the Republic of Serbia, Nos. 113/05 and 56/2007) as well as the Decree on Standards and Criteria for Reimbursement, Exemption and Reduction of Compensation for Environmental Pollution (Official Gazette of the Republic of Serbia, No. 113/05).

3.27.1.1.2 Institutional Framework

The Ministry for Environmental Protection is in charge of implementing regulations pertaining to horizontal legislation. Seven Ministry staff members are tasked with environmental impact assessment issues while in reality nine employees are needed. Three staff members are in charge of strategic environmental impact assessment issues but in practice seven employees are needed to tackle this workload. In addition, autonomous provinces or local self-government authorities are also in charge of conducting the environmental impact assessment procedure as well as the strategic environmental impact assessment procedure relative to those plans and projects which need a building permit issued by a competent provincial or local self-government authority.

There is a need to strengthen institutional capacities of the Ministry for Environmental Protection, the Agency, the Fund and the Inspection as well as to strengthen local level administrative and institutional capacities for horizontal legislation implementation. It is also important to additionally improve the environmental monitoring system.

The Environmental Protection Agency (Agency), as a separate administrative authority within the Ministry for Environmental Protection is in charge of establishing and maintaining the Republic of Serbia National Environmental Protection Information System and Integrated Polluters Emission Register. Currently, four employees are working on information system development and maintenance, while ten employees are needed to address these tasks. At the same time there is only one staff member working on compiling and keeping the Polluters Register while practically fifteen employees are needed for this job. Data collection and processing as well as writing reports on the environmental status are done by nineteen employees working for the Agency.

The Agency maintains cooperation with the European Environment Agency (EEA) and is involved in cooperation and information and data exchange activities within the European Information and Observation Network (EIONET). The Agency plays a role of a National focal institution, as well as a National Focal Point for cooperation with the European Environment Agency (one employee). The Agency has achieved considerable progress in the area of data submission (the so-called “Priority Data Flows”, obligations which are in keeping with the Reporting Obligations Database – ROD) and for the first time it has developed environment status indicators and submitted them to the European Environment Agency⁺. Thus, after the beginning of cooperation in 2004, when it was ranked 34th out of 36 countries, in 2007 it was ranked 6th by the volume of its data contributions.

There are thirty eight employees with the Ministry of Environmental Protection Control and Monitoring Sector working on environmental impact assessment inspection, air quality, water quality, noise impact, cooperation with international networks, cooperation with local self-government authorities and integrated border access.

The Environmental Protection Fund (Fund), currently staffed with twenty employees, finances action and rehabilitation plans, in particular preparation activities for implementation and development of programs, projects and other activities pertaining to preservation, sustainable use, protection and development of the environment, as well as those related to energy efficiency and use of renewable energy sources. The Fund is financed pursuant to the Decree on Types of Pollution, Criteria for Calculating Environmental Pollution Compensation and on the Entities Required to Pay Compensation, Amount of Compensation, its Method of Calculation and Payment as well as the Decree on Standards

⁺ A part of the sentence is missing. The shaded portion of the text has been translated *ad lib* (translator’s note).

and Criteria for Reimbursement, Exemption and Reduction of Compensation for Environmental Pollution.

The Republic of Serbia Environmental Protection Inspection (Inspection) is organized at three levels – Environmental Protection Inspection at the level of the Republic, Environmental Protection Inspection at the provincial level and Environmental Protection Inspection at the self-government level. The Inspection monitors and inspects implementation of regulations. The Inspection at the level of the Republic has a total number of hundred and nine employees, out of which hundred and one are inspectors. The job description and plan of the Republic Environmental Protection Inspection have been harmonized with Recommendation 2001/331/EC of the European Parliament and of the Council, while its provisions are contained in the Recommendation providing for minimum criteria for environmental inspections which has been declared in 2006 by the Minister of Environmental Protection as binding on the Inspection.

3.27.1.2. Short-term priorities (2008 – 2009)

3.27.1.2.1 Legislative Framework

Ratify the Aarhus Convention by the end of 2008;

Adopt by-laws which would entirely transpose the provisions of the Directive 2003/4/EC on Public Access to Environmental Information, Directive 91/692/EEC Standardizing and Rationalizing Reports on the Implementation of Certain Directives Relating to the Environment and Regulation 1210/90/EC on the Establishment of the European Environment Agency and the European Environment Information and Observation Network (EIONET).

3.27.1.2.2. Institutional Framework

Strengthen institutional capacities of the Ministry for Environmental Protection, the Agency, the Fund and the Inspection:

The Ministry for Environmental Protection plans to hire one officer who would be in charge of conducting environmental impact assessment procedure and two more officers who would be in charge of conducting strategic environmental impact assessment procedure.

The Agency will hire two officers tasked with data gathering and processing, reporting and information system development.

In order to kickstart the operations of the Integrated Polluters Register the Agency will undertake the following activities: hire seven officers; compose precise lists of operators from different industries who submit data for the Integrated Polluters Register, put together instructions for operators and instructions for quality control of the data submitted for the Integrated Polluters Register; and finally, establish working groups for external control of data offered by the Integrated Polluters Register.

The Environmental Protection Agency will coordinate the establishment and maintenance of the Republic of Serbia National Environmental Monitoring System, it will also establish uniform

testing and data collection procedures in keeping with the methodologies applied by the European Environment Agency, in accordance with the Directive on Reporting and other relevant European regulations (pertaining to water protection and management, air quality, etc.).

The Agency will introduce automatic air, water and soil quality monitoring methods and procedures as well as uniform analytical procedures and quality control procedures. The National Reference Laboratory will be accredited in accordance with international ISO/IEC 17025 standard.

The Fund will hire additional staff.

Continue with the inspection training programs at all levels.

3.27.1.3. Mid-term priorities (2010 – 2012)

3.27.1.3.1. Legislative Framework

In order to fully implement Directive 2001/42/EC, the selection of indicators used to assess environmental status and monitor the effects of plans and programs implementation, will be regulated by the end of 2012.

Directive 2004/35/CE will be entirely transposed.

3.27.1.3.2 Institutional Framework

Continue strengthening administrative and institutional capacities of the Ministry, the Agency, the Environmental Inspection and monitoring institutions, by hiring new employees and offering training programs.

Ministry of Environmental Protection plans to hire one officer who will be in charge of conducting environmental impact assessment procedure, while two more employees tasked with conducting strategic environmental impact assessment procedure, will also be hired.

The Inspection at the level of the Republic will hire twenty six more staff members by the end of 2012, twenty of whom are inspectors while the remaining six employees are legal and administrative officers. It is necessary to continue with the inspection and monitoring training programs for inspections at all levels.

The Agency will establish a system of environmental status data collection through the implementation of the “Assistance to the Environmental Protection Agency as a National Focal Point for Cooperation with the European Environment Agency in Strengthening the EIONET in Serbia” – IPA 2008; it will strengthen the National Environmental Information System administrative capacities – hire four more officers for the Agency so as to have a total of 10 employees working on these particular tasks; it will establish on-line data submission system to Integrated Polluters Register and hire seven more officers who will be working on the activities of the Integrated Polluters Register; it will adopt national set of environmental indicators with an aim to improve reporting to the European Environment Agency and other international

organizations. The Agency will establish national reference laboratories and calibration laboratories thus enabling regular testing and calibration of automatic analyzers.

The recruitment and hiring procedure will be done according to the following schedule:

Institution		Is the institution already in place or are there plans to establish such an institution	Number of employees currently working	Planned (total) number of employees (by calendar year)				
				2008	2009	2010	2011	2012
Ministry for Environmental Protection	Planning and Administration Sector – Strategic Environmental Impact Assessment Group	In place	3	4	5	7	7	7
	Planning and Administration Sector – Environmental Impact Assessment Unit	In place	7	7	8	8	9	9
	Environmental Protection Agency (<u>Integrated Polluters Register</u>)	In place	1	1	8	10	12	15
	Environmental Protection Agency <u>National Information System</u>	In place	4	5	6	7	8	10
	Control and Monitoring Sector Environmental Impact Assessment, Air Quality, Water Quality and Noise Impact Inspection	In place	31	43	43	43	43	43
	Control and Monitoring Sector Unit for Cooperation with International Networks, Local Self-government Authorities and Integrated Border Access	In place	7	9	9	9	9	9
Total			53	69	79	84	88	93

Financial needs

Table 2A.⁸⁰ The needs of the Ministry for Environmental Protection

	In 2008	In 2009	In 2010	In 2011	In 2012
Activities/ ⁸¹ IPA 2008 – Agency					
Institution building (facilities, human resources, equipment...)					
Infrastructure ⁸²					

⁸⁰ Table “2A” represents the sum of resources listed in table “2B” and in table “2C”

⁸¹ Additional costs which are the result of regulations implementation and are not direct costs of the administration, for example social welfare, assistance to customer protection organizations, assistance to non governmental organizations...

Note:

State the sum in EUR for each year separately.

For foreign assistance, specify the foreign assistance.

Table 2B Budget of the Ministry for Environmental Protection – national sources

	In	In	In	In	In
	2008	2009	2010	2011	2012
	EUR	EUR	EUR	EUR	EUR
Engaging professional institutions and organizations to work on programs related to air pollution measurements, waste water and industrial noise levels	250,000	250,000	250,000	250,000	250,000
Control and monitoring training courses for inspections at the republic and local levels		EUR 20,000			
Institution building (office space, human resources, equipment...)					
Computer and camera procurement for twenty inspectors currently working with the Control and Monitoring Sector	EUR 20,000				
Procurement of new vehicles for employees and newly employed staff members of the Control and Monitoring Sector (as listed in Table of employment)	100,000	100,000			
Infrastructure					

Table 2C. Budget of the Ministry for Environmental Protection

- foreign sources (*Twinning*, technical assistance, IPA/bilateral)

Ministry for Environmental Protection	In	In	In	In	In
	2008	2009	2010	2011	2012
<i>Environmental Protection Agency IPA 2008</i>		EUR 2,000,000			
Twinning Training Program for the Republic Inspection in the area of environmental impact assessment, air and water quality and noise control	EUR 156,950	EUR 569,320			
Twinning Training Program for the Republic Inspection in the area of cooperation with international networks, local self-government authorities and integrated border access	EUR 32,850	EUR 119,160			
Twinning Training Program for the Republic Inspection in the area of ionizing and non-ionizing radiation	EUR 18,250	EUR 92,680			
Institution building (office space, human resources, equipment...)					
Procurement of the pollutants data processing software		EUR 1,000,000			
Infrastructure					

⁸² Construction of facilities in areas where applicable: roads, airports, railways, infrastructure related activities, “Schenghen” border...

3.27.2. Air quality and climate changes

3.27.2.1. Status

3.27.2.1.1. Legislative Framework

Air Quality:

Air quality is regulated by the Law on Environmental Protection (Official Gazette of the Republic of Serbia), the Law on Hydro-meteorological Activities of Interest for the Entire Country (Official Gazette of the Socialist Federal Republic of Yugoslavia, Nos. 18/88 and 63/90) and by by-laws and technical rulebooks in particular fields.

The legislation currently in effect has not been aligned with the Directive 96/62/EC and “daughter” directives. The following has not been harmonized with EU regulations: acceptable imission and emission concentration limits of certain basic and specific pollutants, air quality assessment, reporting obligations, report content on ambient air quality and obligations to perform air quality assessment and develop action plans.

The quality of petroleum derived liquid fuels is regulated by the Rulebook on Technical and Other Requirements for Petroleum Derived Liquid Fuels (Official Gazette of Serbia and Montenegro, Nos. 51/04, 54/05 and 18/06 and Official Gazette of the Republic of Serbia, No. 128/07) which has not been harmonized with Regulation 1882/2003 and Directives 2005/35 EC and 2003/17 EC.

In the area of mobile pollution sources emission, the UN/ECE Agreement Concerning the Adoption of Uniform Technical Prescriptions for Wheeled Vehicles, Equipment and Parts Which Can Be Fitted and/or Be Used on Wheeled Vehicles and the Conditions for Reciprocal Recognition of Approvals Granted on the Basis of These Prescriptions (Official Gazette of the Federal People’s Republic of Yugoslavia, No. 5/62 – International Agreements) has been ratified. The UN/ECE Rulebooks, which are identical with Directive 72/306/EEC, Directive 88/77/EEC, Directive 97/24 Chapter 5, Directive 2005/55/EC, Directive 70/220/EEC and Directive 80/1268/EEC, have been adopted.

The section of the Law on Hydro-meteorological Activities of Interest for the Entire Country (Official Gazette of the Socialist Federal Republic of Yugoslavia, Nos. 18/88 and 63/90) referring to air quality monitoring has not been aligned with EU regulations.

The Republic of Serbia has so far ratified the following international agreements on air quality protection and control: United Nations Framework Convention on Climate Change (Official Gazette of the Federal Republic of Yugoslavia – International Agreements, No. 2/97), the Kyoto Protocol to the United Nations Framework Convention on Climate Change (Official Gazette of the Republic of Serbia, No. 88/07), Vienna Convention for the Protection of the Ozone Layer (Official Gazette of the Federal Republic of Yugoslavia – International Agreements, No. 1/90), and a protocol to the Vienna Convention, namely the Montreal Protocol on Substances that Deplete the Ozone Layer (Official Gazette of the Federal Republic of Yugoslavia – International Agreements, No. 16/90 and Official Gazette of Serbia and Montenegro – International Agreements, No. 24/2004), as well as all four amendments to the Montreal Protocol: 1990 London Amendment, 1992 Copenhagen Amendment, 1997 Montreal Amendment and 1999 Beijing Amendment (the National Plan to Eliminate the Use of Ozone-depleting Substances has been approved in July 2004), the Convention on Long-range Transboundary

Air Pollution (Official Gazette of the Socialist Federal Republic of Yugoslavia – International Agreements, No. 11/86) and the Protocol to the 1979 Convention on Long-range Transboundary Air Pollution on Long-term Financing of the Cooperative Program for Monitoring and Evaluation of the Long-range Transmission of Air Pollutants in Europe (EMEP) (Official Gazette of the Socialist Federal Republic of Yugoslavia – International Agreements, No. 2/87).

Negotiations on transitional implementation periods are anticipated for certain Directives relative to air quality management. Republic of Serbia has not done any cost estimate for harmonization with the environment related *acquis*. Based on cost estimates for the harmonization with the EU regulations, envisaged by the Republic of Serbia Environmental Approximation Strategy Project (EAS) – IPA 2007, plans were developed for implementation of chosen “investment” air quality management directives.

Climate Change:

As a developing country the Republic of Serbia has the “non-Annex I Contracting Party” status in the United Nations Framework Convention on Climate Change and the Kyoto Protocol. The Republic of Serbia became a contracting party to the Kyoto Protocol on 17 January 2008. In the area of climate change, it is necessary to develop: the First National Communication of the Republic of Serbia, the National Strategy for Inclusion of the Republic of Serbia into the Clean Development Mechanism under the Kyoto Protocol and the National Program for Climate Change. In addition, it is necessary to use appropriate regulations to establish institutional framework for the implementation of the Clean Development Mechanism Project.

3.27.2.1.2 Institutional Framework

Air Quality:

Ministry for Environmental Protection is in charge of air quality activities, but Ministry for Infrastructure, Ministry for Mining and Energy, Ministry for Trade and Services and Republic Hydro-meteorological Service of Serbia also have certain competences.

- Ministry for Environmental Protection is in charge of development of strategic and legal documents, defining limits for stationary sources emissions, limits of imission and developing action and rehabilitation plans. Currently, eight employees employed at the Ministry of Environmental Protection are working on air protection i.e. air quality management. It would be necessary to hire a total of sixteen employees to work on these tasks.

Air quality monitoring is within the competences of the Republic Hydro-meteorological Service of Serbia and the Agency. Systematic air quality testing program is implemented at twenty four stations within the National Meteorology Network of the Republic Hydro-meteorological Service of Serbia. International GWA (Global Atmosphere Watch) and EMEP (Monitoring and Evaluation of the Long-range Transmission of Air Pollutants in Europe) programs are conducted at one of the stations. In addition, development and application of air pollutants distribution and transportation model is also done. Thirty four employees working for the Republic Hydro-meteorological Service of Serbia are in charge of the monitoring activities, while in reality fifty seven staff members are needed to tackle the current workload. The Agency is in charge of establishing a State-run Automatic Monitoring System. Five employees working with the Agency are tasked with air quality monitoring and control activities, but in reality there needs to be thirty nine such employees for that job. For the purpose of achieving monitoring improvement, the Agency has established and launched operation of six automatic stations.

Preparations are currently under way, within the CARDS 2003 Environmental Capacity Strengthening Project, to establish twenty four automatic measuring stations, a calibration laboratory, one mobile automatic station and a reference laboratory. The Republic, the autonomous province and the local self-government authorities are in charge of environmental monitoring. The autonomous province i.e. local self-government authority, adopt a monitoring program for their territory which must be aligned with the monitoring program which is passed by the Government biannually. In practice, active local monitoring is linked to the Serbia Automotive Association and it is present in Pančevo, Bor and Belgrade.

- The Department for Traffic Safety within the Ministry for Infrastructure is in charge of developing technical characteristics for vehicle construction and exploitation, while the Motor Vehicles Approval Sector with the Institute for Standardization is currently being taken over by the Ministry for Infrastructure. The Motor Vehicles Approval Sector employs five people but it needs to increase its staff to a total of nine employees. Motor vehicles exhaust emission control is done as a part of the motor vehicle safety and technical inspection. The Ministry of Home Affairs issues work and work control permits for motor vehicle technical safety and technical inspection.

- The Ministry for Mining and Energy is in charge of preparing technical regulations pertaining to petroleum derived liquid fuels. Currently, two employees are working on these issues and a total of 6 employees need to be hired. The Ministry for Economy and Regional Development is in charge of adopting technical regulations. The Ministry for Trade and Services is in charge of petroleum derived liquid fuels quality control and inspection. One employee is working on these issues and it would be necessary to hire a total number of ten employees to share the workload.

- The emission limits control and inspection within air quality management area is done by the environmental inspection.

Climate change:

A Climate Change Group, tasked with the implementation of the UN Framework Convention on Climate Change and the Kyoto Protocol, was established within the Ministry for Environmental Protection in 2007. Currently, there are three full time employees but a total number of ten officers need to be hired. The Agency is in charge of compiling an inventory of greenhouse gases. A Greenhouse Gases Team will be established to deal with these issues. A total number of five employees need to be hired to work on these issues.

The implementation of the GEF/UNDP project whose main objective is to enable* the Government of Montenegro to comply with the obligations under the UN Framework Convention for Climate Change (UNFCCC), coordinated by the Ministry for Environmental Protection, will strengthen technical and institutional capacities of relevant state institutions.

The UNDP “Promoting Energy Efficiency and Renewable Energy Sources Investments by Financing Activities Aimed at Reducing Carbon Dioxide Emission in the Republic of Serbia” Project is aimed at establishing a National Body for the Implementation of the Clean Development Mechanism Project (CDM) (DNA).

* A part of the sentence is missing from the text of the original. The shaded portion of the text has been translated *ad lib* (translator’s note).

The Republic Hydro-meteorological Service of Serbia is an implementing partner in the SINTA project, Simulations of Climate Change in the Mediterranean Area and in training programs for regionalization of global climate models and modeling (funded by WMO – World Meteorological Organization/GCOS – Global Climate Observing System).

3.27.2.2. Short term priorities (2008 – 2009)

3.27.2.2.1 Legislative Framework

Air Quality

- Adopt the Law on Air Quality Protection by the end of 2008;
- Following the adoption of the Law on Air Quality Protection, by-laws should be adopted by the end of 2009, whereby the following Directives and Decisions would be entirely transposed into the national legislation: Directive 1999/30/EC, Directive 2000/69/EC, Directive 2002/3/EC, Directive 201/80/EC, Decision 2004/224/EC, Directive 96/62/ EC, Directive 2001/81/EC, Directive 2004/107/EC, Commission Decision 2001/839/EC;
- Adopt, by the end of 2009, the Road Traffic Safety Law and by-laws whereby the following documents would be transposed entirely into the national legislation: Directive 72/306/EEC with all of its amendments, Directive 2005/55/EC with all of its amendments, Directive 70/220/EEC with all of its amendments, Directive 80/1268/EEC with all of its amendments, UN/ECE Rulebook No. 96 with all of its amendments;
- Ratify, by the end of 2009, the Protocol on Persistent Organic Pollutants Additional to the Convention on Long Range Transboundary Air Pollution.

Climate Change

- Ratify by the end of 2008 the by-laws governing the establishment of the DNA;
- Ratify by the end of 2008 a piece of secondary legislation regulating criteria for CDM projects approval and procedures for DNA operations;
- Adopt, in the second quarter of 2009, the National Strategy for Inclusion of the Republic of Serbia into the Clean Development Mechanism under the Kyoto Protocol (which also includes the Implementation Strategy of the Kyoto Protocol Clean Development Mechanism in the energy sector);
- Adopt the Law on Meteorological and Hydrological Activities which should be aligned with the following: EMEP and GAW Monitoring Strategies, Directive 96/62/EC, Directive 1999/30/EC, Directive 2000/30/EC, Directive 2002/3/EC and Directive 2004/107/EC.

3.27.2.2.2. Institutional Framework

Air Quality

- The Ministry for Environmental Protection will hire by the end of 2009 two more employees to work on issues related to air quality protection. A National Ozone Office will be established, employing a total of three full time employees, as well as the Montreal Protocol Implementation Project Management Unit employing a total of three officers;
- Automatic equipment for air quality monitoring and control will be installed at six existing locations of meteorological stations which operate within the Republic Hydro-meteorological Service of Serbia; the Republic Hydro-meteorological Service will upgrade and provide equipment for the laboratory;
- The Agency will check and verify the sites, distribute parameters at all measuring sites, procure the laboratory equipment and prepare these sites for installation of AMSAQ (Automatic Measuring Stations for Air Quality);
- Employees of the Republic Hydro-meteorological Service of Serbia, the Agency and institutions in charge of air quality monitoring activities will undergo training programs. The Agency will, by the end of 2009, hire eleven more employees to work on monitoring tasks while the Republic Hydro-meteorological Service of Serbia will hire additional eight officers;
- The Ministry for Mining and Energy will hire, by the end of 2009, one more officer who will be in charge of issues pertaining to petroleum derived liquid fuels quality, while the Ministry for Trade and Services will hire additional four employees who will be in charge of petroleum derived liquid fuels quality control and inspection;
- The Ministry for Infrastructure will hire two more employees who will be in charge of activities pertaining to vehicle approval.

Climate Change:

- In the fourth quarter of 2008 a National Body for Clean Development Mechanism Implementation under the Kyoto Protocol should be established; five more officers should be hired and employee training programs for the Kyoto Protocol and Framework Convention on Climate Change implementation should be continued;
- By the end of 2008 a National Climate Change Center should be established within the Republic Hydro-meteorological Service of Serbia, and this Center would also be in charge of activities of the Sub-regional Virtual Center for Climate Change where, by the end of 2009, a total of eighteen employees will be employed;
- For the purpose of compiling an inventory of greenhouse gases, the Agency will hire and train five officers.

3.27.2.3 Mid-term priorities (2010 – 2012)

3.27.2.3.1 Legislative Framework

Air Quality

- Adopt, by the end of 2011, secondary legislation under the Law on Air Quality Protection whereby the following documents would be transposed entirely into the national legislation: Directive 94/63/EC, Directive 1999/13/EC, Council Decision 99/296/EC, Regulation 842/2006/EC, Directive 2006/40/EC, Directive 1493/2007/EC; Regulation 1497/2007/EC; Regulation 303/2008/EC, Regulation 304/2008/EC, Regulation 305/2008/EC, Regulation 306/2008/EC, Regulation 307/2008/EC, Regulation 308/2008/EC;
- Transpose into the domestic legislation the following: Directive 97/24/EC Chapter 5 including all the amendments, Directive 2000/25/EC and Directive 74/150/EEC including all the amendments, Directive 70/157/EEC, Decision 71/57/Euratom, Directive 73/350/EEC, Directive 88/77/EEC, Directive 97/68/EC, Directive 99/94/EC;
- Ratify the remaining Protocols to the Convention on Long Range Transboundary Air Pollution.

Climate change:

- Develop, by the end of 2010, Republic of Serbia Initial National Communication;
- Adopt, by the end of 2011, the National Climate Change Program;
- Adopt, by 2012 at the earliest, technical regulations whereby the following would be transposed into the national legislation: Directive 1999/32 relating to a reduction in the sulphur content of certain liquid fuels and amendments to Directive 93/12/EEC and Directive 2003/17/EC – amendments to Directive 98/70/EC relative to the quality of petrol and diesel fuels.

3.27.2.3.2 Institutional Framework

Air quality

- The Ministry for Environmental Protection will hire a total of sixteen employees by the end of 2012;
- IPA 2007 *Twinning Air Quality Management System* project, strengthening administrative and institutional capacities for an efficient implementation of regulations, will be implemented by the end of 2010;
- The Ministry for Environmental Protection will develop implementation plans for certain air quality management Directives which require considerable investments;
- The Agency will, by 2012, establish an air and water quality reference laboratory and it will establish a state-run automatic monitoring system;
- The Agency will hire additional eighteen officers to deal with monitoring issues, while the Republic Hydro-meteorological Service of Serbia will hire additional fifteen employees;
- The Ministry for Infrastructure will hire additional two officers who will be tasked with activities pertaining to the implementation of regulations related to emission from mobile

pollution sources and it will also implement a project aimed at streamlining the vehicle approval system;

- The Ministry for Mining and Energy will hire additional three staff members who will be tasked with issues pertaining to petroleum derived fuels quality, while the Ministry for Trade and Services will hire additional five employees who will be in charge of petroleum derived fuel quality inspection and control.

Climate change:

The Ministry for Environmental Protection will hire additional five employees who will be working on climate change issues.

The Republic Hydro-meteorological Service of Serbia will hire additional twelve employees to work at the National Climate Change Center.

Recruitment and hiring schedule:

Institution		Is the institution already in place or are there plans to establish such an institution	Current number of employees	Planned (total) number of employees (by year)				
				2008	2009	2010	2011	2012
Ministry for Environmental Protection	Air Quality Protection Department	In place	8	8	10	12	14	16
	National Ozone Office	Planned	0	3	3	3	3	3
	Management Unit for Montreal Protocol Implementation Projects	Planned	0	3	3	3	3	3
	Climate Change Group	In place	3	3	5	8	10	10
	Environmental Protection Agency (AMSAQ + Greenhouse Gases Team)	In place	5	5	21	40	42	44
Republic Hydro-meteorological Service of Serbia	Environmental Control Sector: Air Quality Department	In place	10	10	15	19	23	27
	Meteorology Sector: Department for Technical Meteorology and Applied Climatology	In place	24	24	27	28	29	30

	Climate Change Center	Planned	/	18	22	26	30	34
Ministry for Infrastructure	Traffic Safety Department	In place	6	6	11	11	11	11
	Traffic Safety Department – Sector for Approvals (currently within the Standardization Institute)	Planned	5	5	7	8	9	9
Ministry for Mining and Energy	Sector for Petroleum and Gas relative to petroleum derived fuel quality	In place	2	3	3	4	5	6
Ministry for Trade and Services	Industrial and Non-Food Products Quality Control Coordination Group (gasoline quality control)	In place	1	3	5	7	9	10
Total			75	79	105	152	167	180

Table 2A.⁸³ Needs of the Ministry for Environmental Protection (MEP)

	In 2008	In 2009	In 2010	In 2011	In 2012
Activities⁸⁴					
Action and Rehabilitation Plans					
IPA					
Institution building (facilities, human resources, equipment...)					
Ozone Office					

⁸³ Table “2A” represents a total sum of funds listed in table “2B” and table “2C”

⁸⁴ Additional costs which are the result of regulations implementation and are not direct costs of the administration, for example social welfare, assistance to customer protection organizations, assistance to non governmental organizations...

Infrastructure Agency	<i>260.000</i>	<i>3.495.000</i>	<i>1.560.000</i>	<i>860.000</i>	<i>910.000</i>
Infrastructure⁸⁵ of RHSS networks, Agency					

Note:

State the sum in EUR for each year separately.

For foreign assistance, specify the foreign assistance.

Table 2A – Republic Hydro-meteorological Service of Serbia (RHSS)

	In 2008	In 2009	In 2010	In 2011	In 2012
Activities/⁸⁶	113.000				
Institution building (facilities, human resources, equipment...)					
Infrastructure⁸⁷					

Table 2B. Budget of the Ministry for Environmental Protection (MEP)

	In 2008	In 2009	In 2010	In 2011	In 2012
Activities Agency					
Institution building (facilities, human resources, equipment...)					
Infrastructure					
Infrastructure Agency Monitoring maintenance	<i>110.000</i>	<i>295.000</i>	<i>560.000</i>	<i>760.000</i>	<i>810.000</i>
Infrastructure Agency Construction of the reference	150.000,00	200,000,00	1.000.000,00	100.000,00	100.000,00

⁸⁵ Construction of facilities in areas where applicable: roads, airports, railways, infrastructure related activities, “Schenghen” border...

⁸⁶ Additional costs which are the result of regulations implementation and are not direct costs of the administration, for example social welfare, assistance to customer protection organizations, assistance to non governmental organizations...

⁸⁷ Construction of facilities in areas where applicable: roads, airports, railways, infrastructure related activities, “Schenghen” border...

laboratory					
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Table 2C. Budget of the Ministry for Environmental Protection (MPE) – foreign sources (*Twinning, technical assistance, IPA/bilateral*)

	In 2008	In 2009	In 2010	In 2011	In 2012
Activities (policy)					
IPA 2008 Twinning Air Quality Management System			<i>EUR</i> 1.000.000,0 0		
Institution building (facilities, human resources, equipment...)					
Infrastructure Agency 24 AMSAQ, 1 mobile AMSAQ and calibration laboratory; equipment		(CARDS) Approximately 3.000.000,00			

3.27.3. Waste Management

3.27.3.1. Status

3.27.3.1.1. Regulatory Framework

Strategic national document in the waste management field is the National Waste Management Strategy - Including the Programme of Harmonization with the EU, adopted in 2003 and harmonized with the basic principles of the Thematic Strategy on the Prevention and Recycling of Waste.

The waste management field is only partially regulated by applicable regulations, depending from the waste types and characteristics; till now, an overall waste management system in compliance with the EU requirements has not yet been established. Basic laws in this field are as follows: Law on Ratification of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal ("Official Gazette of the FRY", International Treaties, No. 2/99), Law on Waste Substances Handling ("Official Gazette of the Republic of Serbia", No. 25/96, 26/96), Law on Environmental Protection ("Official Gazette of the Republic of Serbia", No. 135/04), Law on Communal Services ("Official Gazette of the Republic of Serbia", No. 16/97 and 42/98).

In the Republic of Serbia, as Member of the Basel Convention, control system of transboundary movement of waste according to the Basel Convention is applied through implementation of the Regulation on documentation submitted in the procedure for granting waste import, export and transit permits ("Official Gazette of the FRY", No. 69/99). Revision of the mentioned regulation regarding the list of wastes and the control procedure is necessary for its harmonization with the Waste Shipment Regulation 2006/1013/ EC.

The Law on Waste Substances Handling partly regulates waste management in compliance with Directive 2006/12/EC on Waste and Directive 91/689/EEC on Hazardous Waste. Lists of wastes

determined by the Regulation on conditions of secondary raw materials' classification, package and storage ("Official Gazette of the Republic of Serbia", No. 55/01) are in compliance with the European Waste Catalogue. Regulation on conditions to be fulfilled by professional organisations for waste testing ("Official Gazette of the Republic of Serbia", No. 53/06) determines conditions which must be fulfilled by professional organisations regarding the number of employees, assets and equipment as well as application of standardised methods.

Hazardous waste management is stipulated by the Regulation on the handling of hazardous waste products ("Official Gazette of the FRY", No. 12/95), harmonised with the Basel Convention and partly harmonised with the Directive 91/689/EEC on Hazardous Waste. Management of special wastes flow is not regulated in compliance with the relevant EU regulations. Waste disposal is specified in Regulation on the criteria for determining location and disposition of waste disposal sites ("Official Gazette of the Republic of Serbia", No. 54/92), which has not been harmonized with the Directive 99/31/EC on the Landfill of Waste. Incineration of waste, basically regulated in the Law on Waste Substances Handling, is not in compliance with Directive 2000/76/EC on the Incineration of Waste.

Regulation on methodology for development of the Integral Cadastre of Polluters ("Official Gazette of the Republic of Serbia", No. 94/07) specifies reporting on waste management and is harmonized with Directive 91/692/EEC, and partly harmonized with Commission Decisions 97/622/EC and 2005/270/EC.

Packaging and packaging waste management has not been regulated in full compliance with Directive 94/62/EC. Serbian standards have been adopted (SRPS EN), although they are not mandatory, and they relate to essential requirements on packaging placed on the market stipulated by the Commission Decision 2001/524/EC.

Domestic legislation is not harmonised with Directive 78/176/EEC (amended 82/883/EEC, 83/29/EEC, 91/692/EEC) and Directive 86/278/EEC. The Law on Mining ("Official Gazette of the Republic of Serbia", No. 44/95 and 34/07) regulates exploitation of mineral raw materials. Mining waste has not been regulated by applicable statutory regulations in compliance with the European Parliament and Council Directive 2006/21/EC.

The cost associated with implementation of Directives, which require big investments, has not yet been evaluated. Development of plans for implementation of certain "Investment Directives" in the waste management field is foreseen (Landfill Directive, Waste Electrical and Electronic Equipment Directive, Directive on Packaging Waste, Directive on the Incineration of Waste...) within the Environmental Approximation Strategy, to be financed from the IPA 2007 funds.

3.27.3.1.2. Institutional Framework

Waste management field, except radioactive waste and extractive industry waste, is within the competence of the Ministry of Environmental Protection (MEP). Extractive industry waste management is within the competence of the Ministry of Mining and Energy (MME), while sewage sludge management is within the competence of the Ministry of Agriculture, Forestry and Water Management (MAFWM).

MEP has 9 waste management employees. The Agency aims to carry out the following tasks: development, harmonization and conducting of the Waste Management Information Subsystem as part of the National Environmental Information System. The Agency employs one officer for gathering and processing waste data as well as national and international reporting on waste issues.

For tasks related to the mining industry waste management MME employs 1 officer, while tasks related to sewage sludge management are performed by ? .

3.27.3.2. Short-Term Priorities (2008-2009)

3.27.3.2.1. Regulatory Framework

- Till the end of 2008 adoption of the Law on Waste Management and the Packaging and Packaging Waste Law;
- Till the end of 2009, pursuant to the Law on Waste Management, adoption of executive regulations in full compliance with: Directive 2006/12/EC; Directive 91/689/EEC (amended Directive 94/31); Commission Decision 2000/532/EC; Directive 67/548/EEC (amended 2006/121/EC); Directive 99/31/EC; Directive 2000/76/EC; the Basel Convention Technical Guidelines on landfills; Directive 75/439/EEC; Directive 2002/95/EC; Directive 2002/96/EC; Directive 2000/53/EC; Directive 91/692/EEC; and Regulation 2006/1013/EC.
- Till the end of 2009, pursuant to Packaging and Packaging Waste Law, adoption of executive regulations in full compliance with Directive 94/62/EC (amended Directive 2004/12/EC) - except in the part which regulates packaging waste types for certain chemicals, to which cash refund of the deposit shall be applied; Directive 2006/12/EC; Commission Decision 2001/171/EC; Commission Decision 1999/177/EC, Commission Decision 97/129/EC.
- Till the end of 2009 adoption of executive regulations (pursuant to the Law on Waste Management and Packaging and Packaging Waste Law) in full compliance with the EU reporting regulations: Directive 94/62/EC, Commission Decision 2005/270/EC, Commission Decision 97/622/EC.

3.27.3.2.2. Institutional Framework

- Further strengthening the capacity of MEP by employing and training 5 officers till the end of 2009.
- The Agency shall establish till the end of 2009 the following: information basis and corresponding data basis for the waste management subsystem; the National Indicator Set on waste in compliance with the national and international reporting obligations; harmonization of the current reporting method on flow of special waste with the requirements of Directive 91/692/EEC, Commission Decision 97/622/EC and Commission Decision 2005/270/EC.
- The Agency shall continue to strengthen its administrative capacity related to gathering and processing waste data as well as national and international waste reporting obligations by employing and training 4 officers till the end of 2009.
- Till the end of 2009 MME shall employ 2 waste management officers in the mining industry field.

3.8.1.3. Middle-Term Priorities (2010-2012)

3.8.1.3.1. Regulatory Framework

- The Government of the Republic of Serbia shall pass the national waste management plans (for example: National Plan for Biodegradable Waste Reduction), in compliance with Directive 2006/12/EC on Waste and Directive 99/31/EC on the Landfill of Waste;
- Till the end of 2012, pursuant to the Law on Waste Management executive regulations shall be adopted in full compliance with: Directive 96/59/EC; Basel Convention Technical Guidelines; Directive 87/217/EEC; Directive 2002/95/EC and Directive 2002/96/EC; Directive 78/176/EEC; Directive 82/883/EEC; Directive 92/112/EEC; Directive 86/278/EEC (amended Directive 91/692/EEC and Regulation 807/2003/EC) harmonised with Regulation 850/2004/EC and provisions of the Stockholm Convention;
- Pursuant to Packaging and Packaging Waste Law executive regulation shall be adopted, which determines packaging types for certain chemicals, to which to which cash refund of the deposit shall be applied, in full compliance with Directive 94/62/EC on Packaging and Packaging Waste;

- The Law on Amendments and Supplements to the Law on Mining in full compliance with Directive 2006/21/EC.
- The Ministry shall develop plans for implementation of certain Directives in the waste management field where big investments are necessary (Landfill Directive, Waste Electrical and Electronic Equipment Directive, Directive on Packaging Waste, Directive on the Incineration of Waste...).

3.8.1.3.2. Institutional Framework

- Capacity of the MEP and the Agency shall be strengthened by employing and training of new officers responsible for applying harmonised regulations. Till the end of 2012 MEP shall employ 9 officers and the Agency 8 officers. For inspection jobs related to handling of hazardous and other waste, till the end of 2012, 5 more inspectors shall be employed;
- MEP shall implement till the end of 2011 the IPA 2008 Project "Institutional Strengthening for Hazardous Waste Management", which shall provide enhanced administrative capacity and establish the national system for hazardous waste management;
- Till the end of 2012 MME shall employ 3 waste management officers in the mining industry field.

Table 1. Employment Plan:

Employment needs of state institutions

		Specify if it is a current or planned institution	Current number of employees	<i>Planned (total) number of employees (by years)</i>				
				2008	2009	2010	2011	2012
Ministry of Environmental Protection	Waste Management Department	Current	9	11	14	16	18	18
	Control and Supervision Sector- Inspection for handling hazardous waste and other waste	Current	5	5	7	8	9	10
Ministry of Mining and Energy	Mining and Geology Sector	Current	1	2	3	3	4	4
Environmental Protection Agency		Current	1	3	5	8	8	9
Total			10	14	19	24	26	27

Note:

Specify total number of employees by years, and not the modification

3.8.1.4. Financial Needs

Table 2A. Needs of the Ministry of Environmental Protection (MEP)

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities					
Building of institutions (premises, staff, equipment...)					
Infrastructure					

Note:

Specify amount in euros separately for each year.

Regarding foreign support specify what foreign support is in question.

Table 2B. Budget of the Ministry of Environmental Protection - domestic source

Ministry of Environmental Protection	in 2008	in 2009	in 2010	in 2011	in 2012
Building of institutions (premises, staff, equipment...)					
<i>Control and Supervision Sector</i>					
Procurement of computers and cameras for 5 currently employed inspectors in the Control and Supervision Sector	5,000.- EUR				
Procurement of new vehicles in the Control and Supervision Sector for current and new employees mentioned in the Employment Table	20,000.- EUR (for 2 vehicles)	20,000.- EUR (for 2 vehicles)			
Infrastructure					

Table 2C. Budget Ministry of Environmental Protection - foreign source (*Twining*, technical support, IPA/bilateral)

Ministry of Environmental Protection	in 2008	in 2009	in 2010	in 2011	in 2012
Twinning Training Programme of the Republic inspection for hazardous waste and other waste handling	18,250.- EUR	92,680.- EUR			
Building of institutions (premises, staff, equipment...)					
Infrastructure					

3.27.4. Water protection and management

3.27.4 Protection and management of water resources

3.27.4.1 State of play

3.27.4.1.1 Legislative framework

The laws and regulations in force in the field of water regulate protection of water resources against pollution; protection against harmful effect of waters; their use and management as goods in the public domain; terms and manner of doing business in water management; adoption and implementation of water protection measures; organization, financing and supervision of water management activity; as well as the activity of the meteorological and hydrological services. The mentioned laws and regulations further stipulate the obligation to determine the water regime; the manner of issuing water management documents; limit the rights of owners and users of waters; the duty to engage in international cooperation; and regulate the planning and use of water. The provisions of the laws and regulations in force apply to all surface waters and groundwater including potable water, thermal and mineral waters, to border watercourses and the waterways crossing the state border.

The following laws are in force in the field of protection and management of water resources in the Republic of Serbia:

- the Law on Environmental Protection (Official Gazette of RS No. 135/04);

1 the Law on Water (Official Gazette of RS Nos. 46/91, 53/93, 67/93, 48/94, 54/96);

2 the Law on the Water Regime (Official Gazette of RS No. 101/2005);

3 the Law on Local Self-Government (Official Gazette of RS Nos. 9/02, 33/04, 135/04);

4 the Law on Communal Utilities (Official Gazette of RS Nos. 16/97 and 42/98);

5 The Law on Hydro-Meteorological Activities of Interest to the Entire Country (Official Gazette of SFRY Nos. 18/88 and 63/90);

6 the Law on Maritime Navigation and Navigation on Internal Waterways (Official Gazette of FRY Nos. 12/98, 44/99, 74/99 and 73/2000);

7 the Law on Navigation on Internal Waterways (Official Gazette of SRS No. 54/90 and the Official Gazette of RS Nos. 53/93, 67/93, 48/94 and 101/05);

- In the field of transport of dangerous substances along internal waterways the authorities apply the Law on Transport of Dangerous Substances (Official Gazette of SFRY Nos. 27/90, 45/9 and Official Gazette of FRY Nos. 24/94, 28/96, 21/99, 44/99, 68/2002).

Also in force are the regulations adopted under the above mentioned laws.

The Republic of Serbia has enacted the following laws thus ratifying the relevant international treaties in the field of management and protection of water resources:

8 The Law on Ratification of the Convention on Cooperation for Protection and Sustainable Use of the Danube River (Official Gazette of the State Union of Serbia-Montenegro (SCG) No. 2-2/2003);

9 The Law on Ratification of the Framework Agreement on the Sava River Basin, Protocol on the Navigation Regime Additional to the Framework Agreement on the Sava River Basin and the Agreement Amending the Framework Agreement on the Sava River Basin and the Protocol on the Navigation Regime Additional to the Framework Agreement on the Sava River Basin (Official Gazette of the State Union of SCG - International Treaties No. 12/2004).

The Law on Water was passed before the Water Framework Water Directive (WFD) 2000/60/EC took effect so that it has been (only) partly harmonized with the *acquis communautaire*. The issues covered by Directive 91/271/EEC concerning the limits of imission, but not of emission, are covered by the provisions of the Law on Water just as are the issues pertaining to the competent institutions which monitor compliance with these limits. Further, the issues of discharge of industrial and urban wastewater effluent are also regulated by the Law on Water. This Law, together with the provisions of the Law on Environmental Protection (Official Gazette of RS No. 135/04) which provides the basis for individual regulations, also regulates the issues pertaining to emission standards.

The Regulation on Waters Classification (Official Gazette of SRS No. 5/68) addresses the issue of how to prevent deterioration of the status of water bodies, surface waters and groundwater in line with Directive 2000/60/EC.

The Rulebook on Dangerous Substances in Waterways (Official Gazette of SRS No. 31/82) sets forth a definition of the groups of dangerous substances in line with Directive 2000/60/EC.

The Law on Maritime Navigation and Navigation on Internal Watercourses, just like the Law on Navigation on Internal Watercourses, has not been aligned with the EU regulations.

The Rulebook regulating the hygienic safety of drinking water is partly in line with the Directive on Quality of Water Intended for Human Consumption (98/83/EC).

There is no relevant piece of secondary legislation in the Republic of Serbia harmonized with the Directive on Recreational Use Water Quality Management (2006/7/EU). The basis for future passage of this secondary legislation will be the Law on Water.

Further, the Rulebook on the Method of Determining and Maintaining the Sanitary Protection Zones and Belts around Drinking Water Supply Facilities (Official Gazette of SRS No. 33/78) is a regulation prescribing the method of protecting water supply sources. The basis for its adoption was the Law on Water. This regulation was adopted in 1978 based on the Law on Water which had been in force before the current Law took effect and contains certain arrangements which current practices have rendered obsolete. We do not know whether there is any EU Directive regulating this area but in elaborating the (new) draft rulebook the German DVGW standards are being used.

The Convention on Cooperation for Protection and Sustainable Use of the Danube River and the Framework Agreement on the Sava River Basin have already been ratified and address the issues related to the joint elaboration of a river basins management plan, especially for the river basins of an international character.

In order to achieve full compliance of national legislation in this area with the *acquis communautaire*, there are plans to adopt a new law on water, new laws on meteorological and hydrological activities and the air and water quality monitoring activity along with the supporting regulations.

3.27.4.1.2 Institutional framework

The competence for protection and management of water resources is shared by four Ministries: the Ministry of Agriculture, Forestry and Water Management; the Ministry of Environmental Protection; the Ministry of Health; and the Ministry of Infrastructure.

The Ministry of Agriculture, Forestry and Water Management, i.e. its Republic Water Directorate is in charge of water management policy; multiple use of waters; protection from waters; etc. The Republic Water Directorate, as an administrative body within the Ministry of Agriculture, Forestry and Water Management, carries out administrative and technical duties relating to water management policy; multiple use of waters; water supply, except for water distribution; protection from waters; implementation of water protection measures; planned rationalization of water consumption; regulation of water regimes; monitoring and maintenance of the water regimes on the watercourses which constitute the border of the Republic of Serbia or cross that border. The Republic Water Directorate prepares the main strategic documents in the field of water; sets uniform standards and norms in the field of use and protection of water and protection from waters; issues administrative documents; and exercises oversight and controls implementation of the law. It further participates in preparing the annual program setting the priorities for the Republic of Serbia territory in terms of construction, reconstruction and maintenance of water facilities and systems and secures funds for the implementation of these activities. The Republic Water Directorate currently has a staff of 59 civil servants 31 of whom are water management inspectors. Within the Republic Water Directorate the Department for Management and Analytical Affairs and Standards in the Field of Water Management carries out the following activities: prepares the elements and develops the arrangements for issuing the terms and conditions of water management, water management approvals, water management licenses, certificates

attesting that requirements from water management approvals have been fulfilled for project design development, construction and use of facilities and for actions that may influence changes in the water regime or which may be influenced by such water regime; prepares the elements and issues opinions on urban planning and makes the expert study required for preparing the draft law on water, draft regulations and draft contracts on concessions; prepares and takes part in developing standards and norms for project design, construction and maintenance of water management facilities and their harmonization with the EU regulations; prepares the elements (water documents, water ledgers and water-related cadastral registers) for water regime management in water areas.

The Ministry of Environmental Protection is in charge of the system for protection and sustainable use of natural resources including water. The Water Protection Section within the Department for Protection of Natural Resources of the Ministry of Environmental Protection is staffed with 6 employees. The Ministry of Environmental Protection carries out the following administrative activities: (operates) the system of protection and sustainable use of natural resources including water; elaborates strategic documents, research plans and programs on sustainable use of natural resources; compiles an inventory of groundwater bodies; sets up a detailed groundwater exploratory works program; secures material and other pre-requisites for implementing such programs; water protection system; trans-boundary water pollution.

The Environmental Protection Agency, established in 2004 as part of the ministry responsible for environmental protection affairs, has been charged with developing, harmonization and management of the national environmental protection information system; setting up the polluters register; collecting data in the environmental protection field; reporting on environmental protection conditions and on implementation of the environmental protection program and policy; and with developing environmental data processing and evaluation procedures.

The Ministry of Health is in charge of safety of water which is used, or is intended to be used, as drinking water or to produce or process foodstuffs. It is further in charge of safety of water which serves sanitary-hygienic and recreational purposes.

Water samples may be taken and drinking water analysis may be done only by the health care institutions duly authorized by the Ministry of Health. These institutions form part of the network of public health institutes which are located, on the territorial principle, all over the Republic of Serbia. The Institute “Dr Milan Jovanović Batut” is the leading institute among these institutions.

The sector of water traffic and navigation safety is under the authority of the Ministry of Infrastructure. The Water Traffic Section, that is part of the Water Traffic and Navigation Safety Department of the Ministry of Infrastructure, is staffed with 9 employees.

Under the Law Laying Down the Competences of the Autonomous Province (Official Gazette of RS No. 6/2002), water management on the territory of AP Vojvodina falls within the competence of the Provincial Agriculture, Forestry and Water Management Secretariat.

The existing Public Water Management Enterprises “Srbijavode” with a staff of 140 employees and “Vode Vojvodine” with 380 employees carry out water resource management activities of general public interest on the territory under their responsibility in keeping with the Law on Water.

The local self-government is responsible for water supply and channel digging in settlements on its own territory and carries out other water sector activities in accordance with the law.

Water management companies perform operative tasks defined by the law in the field of water business activity.

Water supply and sewage companies ensure organized drinking water supply to the population and other users, collect waste waters, treat them and take them away to the recipient.

In addition to the mentioned main operators, the following also pursue water-related activities: the Water Management Institute “Jaroslav Černi”; the Public Health Institute; the Nature Conservation Institute of Serbia; and other individual organizations, institutions and public companies which operate outside the water sector.

In accordance with the Law on the Ministries, water quality is monitored and controlled by the Republic Hydro-meteorological Service of Serbia (RHMZ). Water quality is monitored and controlled by taking samples and carrying out physical and chemical analyses of waters on the ground, physical-chemical, chemical, biological and radiological analyses of water at the laboratory as well as by taking samples and carrying out physical-chemical and chemical analyses of the sediment.

The national network of stations which carry out systematic monitoring (analysis and quality control of surface waters, groundwater and the sediment), emergency monitoring and monitoring of water quality in waterways which form part of a state border or cross a state border includes 134 sites along rivers and canals, 33 water springs, 4 lakes, 25 reservoir lakes and 68 water compression meters. The RHMZ Laboratory for the Environment has accredited its activities in line with the JUS ISO/IEC 17025 standard.

Implementation is underway of the TWINNING project “Strengthening the Capacities of the Republic Waters Directorate” through a joint effort of the Ministry of Environment, Nature Protection and Nuclear Safety of Germany and the Republic Water Directorate within the Ministry of Agriculture, Forestry and Water Management, with the RHMZ participating. The main objective is to assist the Serbian public administration in charge of waters to implement the guidelines from the EU Water Framework Directive (WFD). The activities during 24 months, which is how long the project will last (May 2006 – May 2008), have been split up into two components; the first component is based on evaluation of the existing organizational structures and capacities. In order for the Serbian water management institutions to prepare themselves for implementing the EU water regulations, the focus in project activities is on the following areas: plan the harmonization of laws with the EU WFD; train employees to plan river basin management (by taking as an example the Kolubara River basin); promote human resources development; and raise public awareness in Serbia on the problems concerning water. As a result of the project, it is expected that the relevant employees will be able to work with the following directives: Directive 2000/60/EC (WFD); Directive 91/271/EEC (Directive Concerning Urban Waste-water Treatment); Directive 2007/60/EC (Floods Directive); Directive 98/83/EC (Directive on Quality of Water for Human Consumption); Directive 76/160/EEC (Directive on Bathing Water Quality). The project will further result in a well-elaborated action plan and regulations drafted in line with EU legislation. The project’s second component is designed to achieve optimum use of the existing monitoring network of appropriate surface waters and groundwater monitoring stations and facilities. The project focuses on the following: improve the technical components of the water monitoring system and laboratory equipment; train staff on water monitoring procedures and water sample analysis procedures; and improve water data management at the institutions involved in the project in Serbia.

Under the Twinning project “First Harmonization with the *acquis* in the Field of Transport”, 3 officers of the Ministry of Infrastructure have completed training by taking part in workshops and study tours. Within the Project for Institutional Capacity Building in the Transport Sector ”Capacity Building”, 4 officers completed training by taking part in workshops and study tours.

3.27.4.2 Short-term priorities (2008-2009)

3.27.4.2.1 Legislation

In the short-term there are plans to enact a new law on water and, upon its passage, to adopt a number of by-laws. Elaboration is in the final stages of the Draft Law on Water in line with the EU WFD (which is the umbrella Directive when it comes to water), that has been partially harmonized with the other Directives on waters (Directive 91/271/EEC concerning Urban Waste-waters Treatment; Floods Directive 2007/60/EC; Directive 98/83/EC on Quality of Water for Human Consumption; Directive 76/160/EEC on Bathing Water Quality; Directive 91/676/EEC concerning the Protection of Waters Against Pollution Caused by Nitrates from Agricultural Sources; Directive 80/68/EEC on the Protection of Groundwater Against Pollution Caused by Certain Dangerous Substances (will cease to be valid in 2013) and Directive 2006/118/EC on the Protection of Groundwater Against Pollution and Deterioration.

In the short term it is necessary to elaborate and adopt the Republic of Serbia Strategy for Development of Water Management which will define the strategies and action plans for implementing the EU Directives in this field. In the short-term, according to plan, the Decree on Monitoring of Surface Waters and Groundwater will be adopted. This Decree will be in harmony with the reporting methodology of the European Environment Agency (Eionet – Water: Water Quantity; WISE – SOE – Reporting: Rivers; WISE – SOE – Reporting: Lakes; WISE – SOE – Reporting: Groundwater). Also to be adopted are the Surface Waters and Groundwater Monitoring Strategy in the Republic of Serbia and the Strategy and Action Plan for Adoption and Implementation of Directive 91/676/EEC concerning the Protection of Waters Against Pollution Caused by Nitrates from Agricultural Sources.

In the period 2008-2009 the following regulations will be adopted: on the contents and method of running the water IT system which will have a link with the Republic of Serbia’s other IT systems and particularly with the environmental protection IT system; on the contents and method of keeping cadastral registers of waters; on the state-owned waters inventory; on determining the boundaries of water areas; on determining the boundaries of river basins and sub-basins; on setting-up the Water Council; on setting up the Water Conference; the Flood Protection Master Plan for State-owned Waters; the document on emission limits; on equipment in harbors and major docks receiving waste materials from shipping vessels; the Plan for Water Protection Against Pollution; the document detailing the contents and method of keeping cadastral registers of waters; the Program for Methodical Measurement of Water Quantities and Water Quality in Protected Areas; the Operative Plan for Protection of Waters Against Pollution Caused by Accidents Applicable to Category I Waters; the rulebooks on maintaining water facilities, flood defense, the method of determining the minimum sustainable throughput; classification of surface water bodies; classification of groundwater bodies; on the sanitary-technical terms and conditions for discharge of waste water effluent into the public sewage system; on dangerous substances which must not be released into watercourses; the document on water classification; on the permitted concentrations of dangerous and harmful substances in waste waters; all of which will regulate the issues relating to water in keeping with EU legislation.

In the short-term period there are plans to ratify the Convention for the Protection and Use of Trans-boundary Watercourses and International Lakes.

In the short-term period, there are also plans to adopt a new Law on Meteorological and Hydrological Activities and Air and Water Quality Monitoring Activity. It will regulate in a new and comprehensive manner the meteorological and hydrological activities and invalidate the Law on Hydro-meteorological Activities of Interest to the Entire Country. In other words, it will regulate the discharge of duties by the meteorological and hydrological service in line with international standards and the assumed international commitments in the field of meteorology and hydrology.

In the short term (until the end of 2008) a rulebook will be adopted regulating the method of protecting water springs that are used for water supply under the Law on Water.

3.27.4.2.2 Institutions

In the short term it is necessary to build the capacities of the Republic Water Directorate within the Ministry of Agriculture, Forestry and Water Management and of the Water Protection Section within the Ministry of Environment. This will be achieved by increasing the number of employees; through their further professional development; by procuring the needed equipment; by upgrading the system of indicators for systematic monitoring of the regime, that is the quantity and quality of waters; by establishing the basic principles for control and protection of the quality of surface waters, groundwater and trans-boundary watercourses; by following up and implementing the plans and research programs for sustainable use and quality protection of surface waters; by planning the setting-up and implementation of local and international research projects and programs; and by taking part in international cooperation in the field of water protection conducive to capacity-building geared at preparing, proposing, implementing and controlling the implementation of the relevant legislation in the field of water.

In the short term there are plans to establish the following new institutions: the Water Council; the National Water Conference and the Water Regulatory Agency.

The Water Council will be the advisory and professional body set up and appointed by the Government in order to help in harmonizing different interests in the field of waters on the Republic of Serbia's territory; help in studying strategic solutions and directing work on drafting regulations in the field of water management.

The Water Conference is a body which is to ensure public participation in water management for each water area. It is to include representatives of local self-government, the owners or users of water-related rights, service users, NGOs active in the field of waters and environmental protection and the scientific and professional institutions of relevance to sustainable water resource management. The *National Water Conference* will be set up on the level of the Republic of Serbia and will include the representatives of area conferences. The Conference will monitor the implementation of the National Program and Plan for Water Resource Management; develop proposals ensuring better public participation in all the activities taking place on waters, including education of the public on the significance and role of water.

Under the draft Law on Water there are plans to establish the Water Regulatory Agency within the Republic Water Directorate of the Ministry of Agriculture, Forestry and Water Management in order to introduce business operations standards for company pursuing water-related activities including water

supply and channel digging. It will have to fulfill the following main objectives: issue operations licenses to the water supply companies and the companies digging channels in settlements as well as the water management companies that fulfill the requirements in terms of technical and technological equipment availability and organizational and human resource capabilities; develop a methodology for computing the commercial price of water and for service delivery in the water sector and control its application; elaborate a platform for private capital involvement in the water sector; define a private capital participation model and control implementation of the selected investment models.

In the short term, i.e. in 2009, there are plans to implement the project “Water Management IT system of the Republic of Serbia” as the main system for supporting decision-making processes in the field of water resource management.

In the period until the end of 2009 there are plans to improve the surface waters and groundwater quality monitoring system.

Until the end of 2009 there are plans to take on 20 more officers at Republic Water Directorate within the Ministry of Agriculture, Forestry and Water Management and 7 more officers at the Water Protection Section within the Ministry of Environmental Protection.

In the short term the following projects will be carried out geared at capacity building and implementation of the relevant Directives:

In the short-term period the following projects shall be carried out for capacity building and implementation of the relevant Directives:

- Twinning Project SR 2005/IB/EN/01 "Capacity Building of the Republic Directorate for Water";

- 1 Project "Water Management Information System in the Republic of Serbia" (WMIS);
- 2 "Pilot River Basin Management Plan for the Kolubara River Basin";
- 3 Project "Preparation of a Sewerage and Wastewater Strategic Master Plan for the Southern Morava Region and Tender Documents for Construction of a "Model" WWTP" -
- 4 "Study of Flood-Prone Areas 1st Phase", Project for the IPA 2007 financing;
- 5 Project for reducing nutrient pollution in industry for the Danube River - DREPR - in the Ministry of Agriculture, Forestry and Water Management implementation of the Project "Serbia Danube River Enterprise Pollution Reduction Programme" is underway. One of the Project aspects is development of the strategy and action plan for adoption an implementation of the Nitrates Directive 91/676/EEC as well as necessary changes of national legislation in compliance with the Nitrates Directive.

- 6 System building: early announcements – monitoring of the surface waters quality in 2008;
- 7 Establishing of the wastewater management system in the Kopaonik National Park area.

3.27.4.3. Middle-Term Priorities (2010-2012)

3.27.4.3.1. Legislation

In the middle-term period it is necessary to continue harmonization of domestic legislation with the EU legislation by adoption of by-laws necessary for implementation of the Water Law, which shall be passed in the short-term period. It is necessary to transpose the Nitrates Directive 91/676/EEC into domestic legislation and pass the following plans and by-laws: Water Pollution Protection Plan; Water Plan; Programme of measures; water management plans for water areas; act on determining of water

region as public water property; act on determining and method of use of flood-prone areas as state waters; act on method of determining and maintenance of sanitary protection zones of water sources; act on measurement of water quantities and testing of its quality at the water intake; act on quality parameters of water used for irrigation of agricultural land; act on method and conditions of wastewater quantities measurement and procedure of testing the quality of wastewaters discharged into receiver, etc., in full compliance with the EU Water Framework Directive 2000/60/EC and harmonized with the Urban Waste Water Treatment Directive 91/271/EEC, Nitrates Directive 91/676/EEC, Directive on the Assessment and Management of Flood Risks 2007/60/EC and Directive on the Protection of Groundwater 80/68/EEC (terminates in 2013) and the new Groundwater Directive 2006/118/EEC.

In the short-term period it is necessary to transpose the Directive on the quality of water intended for human consumption (drinking water) 98/83/EC and the Directive concerning the quality of bathing water 76/160/EEC by adoption of amended and supplemented regulations in compliance with the Directive on the quality of water intended for human consumption, and the new regulation adopted pursuant to the Directive on water quality management for recreational purposes.

In the period 2010-2012 preparing of the Draft Maritime Navigation Law and the Draft Law on the Ship Ownership Relations is being planned. It is planned that the Maritime Navigation Law regulates issues related to ship's books and ship's certificates, state flag's right, ship registering, registering procedures, ship's crews, etc. Draft laws shall be prepared according to the countries in the European Union which are not maritime nations (Switzerland, Austria), bearing in mind that the Republic of Serbia has no sea connection upon dissolving of the State Union Serbia and Montenegro. The Draft Maritime Navigation Law is planned to be in full compliance with the following EU regulations: Directives 2001/25 and 2005/45/EC on the minimum level of training of seafarers; Decision 2007/431/EC, which authorizes the Member States to ratify, in the interest of the European Community, the Maritime Labour Convention; Directives 94/57 and 2002/84/EC on common rules and standards for ship inspection and survey organisations and for the relevant activities of maritime administrations; as well as Directive 96/98 and Marine Equipment Directive 2002/84/EC, etc.

Upon passing of the Maritime Navigation Law, all accompanying by-laws shall be adopted to enable the law implementation.

Furthermore, in the period 2010-2012, Draft Law on the Ship Ownership Relations is to be prepared, which shall regulate basic ship ownership-legal relations, shippers, ship obligation relations, execution of procedures of ship safety regulations, etc.

3.27.4.3.2. Institutions

In the middle-term period access to quality water should be increased, i.e. further development of the public water supply system should be achieved through increased house connections to the public water supply systems as well as establishment of protection zones of the ground water sources and reservoirs used for water supply; increased water quality in watercourses and measures for preservation of the ground water quality, primarily by building of new wastewater refinement facilities and more efficient operating of the current ones; developing of the Environmental Information System, including waters, which provides forming, classification, maintenance, presentation and distribution of databases with numerical, descriptive and space approach to the water quality data; and information exchange with other information systems.

In this period a national reference laboratory for water quality control should be established. Furthermore, in this period capacities of the Ministry of Agriculture, Forestry and Water Management - Republic Directorate for Water should be strengthened by employing 15 officers, as well as 6 officers in the Water Protection Department in the Ministry of Environmental Protection. Till the end of 2012, in the Ministry of Health, employing of 25 sanitary inspectors is being planned.

Middle-term priorities:

- 1 Applying of programmes for monitoring of surface and groundwaters in compliance with the Water Framework Directive and the Reporting Methodology of the European Environment Agency (Eionet-Water: Water Quantity; WISE-SOE Reporting: Rivers; WISE-SOE Reporting: Lakes; WISE-SOE Reporting: Groundwater)
- 2 Development of the Water Management Information System of the Republic of Serbia, linked to other information systems of the Republic of Serbia, particularly with the Environmental Information System
- 3 Implementation of the programme of measures from the Water Management Plan
- 4 Establishing of protection zones of all water bodies used for water intake intended for human consumption, in compliance with the Water Law.
- 5 Implementation of programmes of technical modernization and personnel training for work in a network of laboratories of authorized testing health institutes for sampling and analysis of drinking water. The main goal of modernization and personnel training is to increase work efficiency of authorized laboratories, particularly the ones for monitoring drinking water and the water source quality, which could be used or are used as water supply sources, as well as water used for recreational purposes; improvement of the early announcement systems, forecasts and warnings regarding pollution of these waters.

In the middle-term period the following projects are going to be implemented:

- 1 Study of Flood-Prone Areas 1st Phase", financed by IPA 2007.

In the middle-term period, Modernization and Personnel Training Programme of the Hydrometeorological Service of Serbia should be implemented (till the end of 2010). The Programme's main goal is to increase the efficiency of the Hydrometeorological Service, particularly the weather, climate, water, air and water pollution monitoring systems as well as improvement of early announcement, forecast and warnings related to atmospheric and hydrologic hazards and disasters as well as accidental air and water pollution in the Republic of Serbia.

The Republic Hydrometeorological Service shall implement the following in the mentioned period:

- 1 Modernization of the current network of meteorological and hydrological stations and water quality stations;
- 2 Modernization of the meteorological and chemical laboratories;
- 3 Further modernization of the hydrometeorological computer communication system for gathering, processing, international exchange and dissemination of data and products;
- 4 Reconstruction of current meteorological and hydrological stations, observatories and laboratories in the territory of the Republic of Serbia;
- 5 Modernization of the vehicle fleet of the Republic Hydrometeorological Service;
- 6 Personnel training.

For the part of legislation whose implementation includes substantial investments – water supply systems; wastewater collecting, transport and refining systems; as well as Nitrates Directive, it is necessary to determine during membership negotiations terms for full implementation, on the basis of realistic cost estimates for their implementation and implementation plans for specific directives. This relates primarily to the Urban Waste Water Treatment Directive 91/271/EEC, Nitrates Directive 91/676/EEC as well as the Directive on the quality of water intended for human consumption (drinking water) 98/83/EC.

Table 1.

Employment needs of state institutions - overview of financial and employment needs in the Ministry of Infrastructure in the transportation field

FIRST DRAFT
UNOFFICIAL TRANSLATION

Name of the Institution		Specify if it is a current or planned institution	Current number of employees	Planned (total) number of employees (by years)				
				2008	2009	2010	2011	2012
Ministry of Environmental Protection	Natural Resources Sector - Water Protection Department	Current	6	10	10	12	14	16
Republic Hydrometeorological Service	Environmental Sector - Water Quality Department and Environmental Laboratory Department	Current	38	38	44	50	55	60
	Hydrology Sector	Current	71	74	80	85	90	95
Ministry of Agriculture, Forestry and Water Management	Republic Directorate for Water	Current	28 water management and protection employees* 31 water management inspectors	59	79	84	89	94
Regulatory Water Agency		Planned			10	10	10	10
Total			143	158	192	210	227	244

Financial needs – Ministry of Agriculture, Forestry and Water Management

Table 2A. Needs of the Ministry of Agriculture, Forestry and Water Management, Republic Directorate for Water

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities/					
Twinning Project SR 2005/IB/EN/01 "Capacity Building of the Republic Directorate for Water"	1,000,000				
Project "Water Management	3,273,650	64,700	55,230	56,300	57,530

Information System in the Republic of Serbia"					
Project "Pilot River Basin Management Plan for the Kolubara River Basin"	388,000	258,000			
Project "Preparation of a Sewerage and Wastewater Strategic Master Plan for the Southern Morava Region and Tender Documents for Construction of a "Model" WWTP"	2,800,000 for the whole project				
Study of Flood-Prone Areas 1 st Phase		1,000,000	1,000,000		

* Republic participation in co-financing, according to applicable regulation, 50% of the total investment value

Note:

Specify amount in euros separately for each year.

Regarding foreign support specify what foreign support is in question.

Table 2B. Budget - Needs of the Ministry of Agriculture, Forestry and Water Management,
Republic Directorate for Water
- domestic source

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities					
Project "Water Management Information System in the Republic of Serbia" (WMIS) **	75,200	64,700	55,230	56,300	57,530
Project "Pilot River Basin Management Plan for the Kolubara River Basin"	54,320	36,120			

** funds from the Budget of the Republic of Serbia, additional funds invested by the water management companies JVP Srbijavode and JVP Vode Vojvodine

Table 2C. Budget - Needs of the Ministry of Agriculture, Forestry and Water Management,
Republic Directorate for Water
- foreign source (*Twinning*, technical support, IPA/bilateral)

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities					
Twinning Project SR 2005/IB/EN/01 "Capacity Building of the Republic Directorate for Water"	2,200,000 for the whole project				
Project "Water Management Information System in the Republic of Serbia" (WMIS) Project	2,000,000 for the whole project				
Project "Pilot River Basin Management Plan for the Kolubara River Basin"	333,680	221,880			
Project "Preparation of a Sewerage and Wastewater Strategic Master Plan for the Southern Morava Region and Tender Documents for Construction of a "Model" WWTP"	2,800,000 for the whole project				
Study of Flood-Prone Areas 1 st Phase		1,000,000	1,000,000		

3.27.5. Nature protection

3.27.5.1. Status

3.27.5.1.1 Legislative Framework

The nature protection area is regulated according to the following laws and subsequent bylaws: the Law on Environmental Protection (*Official Gazette of the Republic of Serbia* Nos. 66/91, 83/92, 53/93, 67/93, 48/94, 53/95 and 135/04), the Law on National Parks (*Official Gazette of the Republic of Serbia* Nos. 39/93, 44/93, 53/93, 67/93, 48/94, 48/94 and 101/05), the Law on Fishing (*Official Gazette of the Republic of Serbia* Nos. 35/94, 38/94. and 101/05), the Law on Hunting (*Official Gazette of the Republic of Serbia* Nos. 39/93, 44/93, 60/93) and the Law on Forests (*Official Gazette of the Republic of Serbia* Nos. 46/91, 83/92, 53/95, 54/93, 60/93, 67/93, 48/94, 54/96 and 101/05).

Some sections of the Council Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora, and Council Directive 79/409/EEC on the conservation of wild birds are incorporated into the Law on Environmental Protection and subsequent bylaws concerning planning, utilization and environmental resources protection principles. Council Directive 1999/22/EC relating to the keeping of wild animals in zoos and Council Directive 83/129/EEC concerning the importation into Member States of skins of certain seal pups and products derived therefrom (amended by Council Directive 85/444/EEZ and Council Directive 89/370/EEZ) are not integrated into the domestic legislature. Domestic legislature is mostly in agreement with the Council Regulation 3254/91/EEC prohibiting the use of leghold traps in the Community and introduction into the Community of pelts, and with Council Regulation 338/97/EC on the protection of wild fauna and flora by regulating trade and its subsequent amendments, however, the same legislature is not in accordance with the Council Regulation 348/81/EEC on common rules for imports of whales or other cetacean products.

The Republic of Serbia has, in the environmental protection field ratified following international conventions: the International Convention for the Protection of Birds (*Official Gazette of the SFRY – International Treaties* No. 6/73), World Heritage Convention and Biodiversity Conservation – Heritage Convention (*Official Gazette of the SFRY – International Treaties* No. 8/74), Ramsar Convention on Wetlands – Ramsar Convention (*Official Gazette of the SFRY – International Treaties* No. 9/77), Convention on Biological Diversity - CBD (*Official Gazette of the SRY – International Treaties* No 11/2001), Convention on International Trade in Endangered Species of Wild Fauna and Flora – CITES (*Official Gazette of the SRY – International Treaties* No. 11/2001), United Nations Convention to Combat Desertification, particularly in Africa - UNCCD (*Official Gazette of the Republic of Serbia – International Treaties* No. 102/07), Convention on Conservation of Migratory Species of Wild Animals – Bonn Convention (*Official Gazette of the Republic of Serbia – International Treaties* No. 102/07), The Convention on the Conservation of European Wildlife and Natural Habitats – Bern Convention (*Official Gazette of the Republic of Serbia – International Treaties* No. 102/07), and ***The Convention on the protection and sustainable development of the Carpathians*** – Carpathian Convention (*Official Gazette of the Republic of Serbia – International Treaties* No. 102/07).

The Republic is, since 2002, a member of the Joint Secretariat of the Pan-European Biological and Landscape Diversity Strategy (*PEBLDS*).

Following strategic documents have been prepared on behalf of the Republic: Action Plan for Import Control, Monitoring and Combating Invasive Allochtone Species for implementing European Strategy on combating and controlling invasive allochtone species and the Bern Convention; Action Plan for Wetlands Preservation of International Importance; Action Plan for Preservation of the Brown Bear (*Ursus arctos*), the Gray Wolf (*Canis lupus*) and Lynx (*Lynx lynx*) species in the Republic aimed at implementing Bern Convention.

The national appellation is being prepared for its harmonization with the international community's standards in the fields of habitat classification - The European Nature Information System (**EUNIS**) classification; Important areas of plant biodiversity have been identified (*Important Plant Areas*) for the purpose of implementing Council Directive 92/43/EEC and the Convention on Biodiversity; Important areas of bird species diversity have been identified for the purpose of

implementing Council Directive 79/409/EEC, the Convention on Wetlands, Bern and Bonn Conventions.

National Biodiversity Strategy and Action Plan (NBSAP) shall be adopted and Action plans for implementing National Partnership for Environmental Priorities (NPEP) devised.

International project *EMERALD network development in the Republic of Serbia* represents a final phase of the above mentioned implementation process serving as a foundation for Natura 2000 Network development in the Republic. Serbian Green Belt Project which is a component of the European Green Belt Project is being instituted.

3.27.5.1.2 Institutional Framework

The Ministry of Environmental Protection of the Republic of Serbia has following responsibilities and competencies: preservation and improvement of biodiversity in protected areas; monitoring and sustainable use of biodiversity and soil; internal and international transportation of endangered and protected wild flora and fauna.

Ministry of Environmental Protection (MEP) employs 20 officers in the field of nature protection with an actual need of 13 more, and Controlling and Inspection Department employs 30 nature protection inspectors, while 8 more are needed.

Serbian Nature Protection Institute (the Institute) performs specialist activities geared toward protecting natural resources, and conducts research with an objective to protect the nature, implement natural protection regime, prepare reports which emphasize priorities in evaluating and protecting natural resources, monitor the state of natural resources and suggest nature protection measures, determine protection conditions and provide information about protected natural resources for the purpose of developing spatial and other planning documents, and perform all other relevant duties determined by the legislature. The Institute currently employs 121 officers but there is a need for at least 19 more.

Next to the MEP and the Institute, certain nature protection competencies and responsibilities are within the following institutions: the Ministry of Agriculture, Forestry and Water Management – Forestry Department (Hunting), Plant Protection Department and Veterinary Department (controlling cross border transport of endangered and protected wild flora and fauna); Ministry of Infrastructure (Spatial planning), The Agency (data collection and reporting on the status of biodiversity); Secretariat for Environmental Protection and Sustainable Development of the Autonomy (in charge of nature protection of the Autonomous Province of Vojvodina territory), public undertakings managing Tara, Djerdap, Kopaonik, Fruska gora and Mountain Sar national parks; state Enterprises *Srbijasume* and *Vojvodinasume*, and other entities concerned with, and in charge of nature protection.

The Agency employs 1 officer working on the nature protection activities, while there is a need to hire 3 more.

Ministry of Agriculture, Forestry and Water Management – Forestry Department for the purpose of nature protection activities employs 1 officer in the Hunting Division with a need to hire 4 more, while the Hunting Dept. Inspection employs 8 officers with a need of 6 more.

3.27.5.2. Short-term Priorities (2008-2009)

3.27.5.2.1. Legislative Framework

- To adopt the Law on Environmental Protection by the end of 2008 (the Law) which will include and propagate provisions of the following EU legislature: Council Directive 92/43/EEC, Council Directive 79/409/EEC, Council Directive 1999/22/EC, Council Directive 83/129/EEC, and be in agreement

with the Council Regulative 3254/91/EEC, Council Regulative 348/81/EEC and Council Regulative 338/97/EC;

- To adopt, by the end of 2008, and based on the Law, all relevant bylaws completely conveying directives and regulations referred to in the previous point;
- To adopt, by the end of 2008, the Law on Wild Game and Hunting in coordination with the Council Directives 92/43/EEC and 79/409/EEC, Council Regulative 3254/91/EEC, Council Directive 3626/82/EEC on implementing Convention on International Trade in Endangered Species of Wild Fauna and Flora, Council Decision 98/145/EC approving amendments of the Convention on Conservation of Migratory Species of Wild Animals – *Bonn Convention*, Council Directive 349/2003/EC on abolition on importing certain Wild Fauna and Flora, and Council Decision 871/2006/EC on Preserving Afro-Asian Species of Migratory Birds;
- To establish *EMERALD* network in the first quarter of 2009.

3.27.5.2.2 Institutional Framework

- Ministry of Environmental Protection shall be dedicated to strengthening its capacities for implementing coordinated natural protection legislature, and shall provide assistance to all institutions and authorities in charge of planning, control and monitoring nature protection and biodiversity conditions, in strengthening their capacities through practical training and hiring of 7 more officers;
- Forestry Department will improve their capacities through staff training and hiring of 2 more officers in the Hunting Division. Their objective is to increase hunting inspectors' efficiency, and to, through technical support and procurement of technical equipment strengthen its institutional capacities;
- The Institute will, in the field of nature protection, hire 4 more officers.

3.27.5.3. Mid-term Priorities (2010-2012)

3.27.5.3.1 Legislative Framework

- By the end of 2010 the government shall outline specific laws on national parks and subsequent bylaws on establishing ecological network, and declaring protected areas in the Republic in accordance with the Council Directives 92/43/EEC and 79/409/EEC;
- By the end of 2010, on the basis of the Law on Wild Game and Hunting, shall generate subsequent bylaws completely in accordance with pertinent European legislature and provisions;
- By the end of 2010 shall adopt the National Strategy and Action Plan for Preserving Biodiversity, in coordination with the European Commission Biodiversity Communication and its detailed Action Plan by 2010 and beyond (COM/2006/0216) objectives;
- By the end of 2010, for the purpose of implementing *NPEP*, shall adopt Action Plans for Ecosystem Protection, Protected Natural Resources and Soil Preservation, in coordination with the EU 6th Environmental Action Plan and the EU Thematic Strategy for Soil Protection (COM (2006) 231), and all other applicable EU documents and provisions;
- By the end of 2012, shall introduce and implement all major projects prescribed by the Action Plan for Import Control, Monitoring and Combating Invasive Allochtone Species for implementing European Strategy on combating and controlling invasive allochtone species and the Bern Convention; Action Plan for Wetlands Preservation of International Importance; Action Plan for Preservation of the Brown Bear (*Ursus arctos*), the Gray Wolf (*Canis lupus*) and Lynx (*Lynx lynx*) species in the Republic aimed at implementing Bern Convention.

3.27.5.3.2. Institutional Framework

- To continue with strengthening administrative capacities of the Ministry of Environmental Protection and hire 6 new officers;
- To establish, by the end of 2011, a long-term plan for financing nature protection, and sustainable use of biodiversity activities, and the Convention on Biodiversity Program of Action for protected areas (CBD) related actions;
- To hire 2 more officers in the Hunting Department at the Ministry of Agriculture, Forestry and Water Management;
- To hire 2 more officers for the nature protection activities at the Agency;
- To hire 15 new officers for the nature protection activities at the Institute;
- To introduce, in agreement with the IPA 2007 project “Building Capacities for Natura 2000 Network Development in Serbia”, institutional and professional capacities both on local and national level, for the purpose of identifying and establishing area networks for long-term habitat and species preservation, according to the EU directives on habitats and birds;
- To establish, by the end of 2012, a *Natura 2000 network, Green Belt, and National Ecological Network* in Serbia.

Table 1.
Employment needs of state institutions

Institution		Specify if it is a current or planned institution	Current number of employees	Planned (total) number of employees (by years)				
				2008	2009	2010	2011	2012
Ministry of Environmental Protection	Natural Resources Department - Water Protection Davison	Current	20	24	27	29	31	33
	Control and Supervision Department Nature Protection Inspection	Current	30	38	38	38	38	38
Agency for Environmental Protection (Nature Protection Department)		Current	1	1	3	4	4	4
Nature Protection Institute		Current	121	121	125	130	135	140
* Ministry of Agriculture, Forestry and Water Mngmt. Forestry Department	Hunting Davison	Current	1	2	3	4	5	5
	Hunting Inspection	Current	8	8	14	14	14	14

*Information on employment needs of the Forestry Department is presented in a combined table in the subgroup 3.27.10. Forestry.

3.27.5.4. FINANCIAL NEEDS

Table 2A.⁸⁸ Needs of the Institute for Nature Protection of Serbia

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities/ ⁸⁹					
Institution building (premises, personal, equipment...)	€ 1.800.000	€ 2.565.000	€ 3.352.000	€ 3.977.000	€ 4.765.000
Infrastructure ⁹⁰					

Note:

Specify amounts in euros separately for each year.

With regards to foreign support specify types and sources of foreign support.

Table 2B. Budget of the Institute for Nature Protection of Serbia – domestic sources

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities					
Institution building (premises, personal, equipment...)	€ 1.789.000	€ 2.530.000	€ 3.295.000	€ 3.942.000	€ 4.730.000
Infrastructure					

Table 2C. Budget of the Institute for Nature Protection of Serbia – foreign sources (*Twinning*, technical assistance IPA/bilateral)

		in 2008	in 2009	in 2010	in 2011	in 2012
Activities	Equipment	€20.000	€50.000	€100.000	€50.000	€120.000
	Protection Program	€125.000	€150.000	€150.000	€150.000	€150.000
Institution building (premises, personal, equipment...)						
Infrastructure						

⁸⁸ Table „2A“ represent a sum of resources specified in tables 2B and 2C

⁸⁹ Additional expensed for implementation of legislative provisions, and are not incurred by the administration directly, for example, social security assistance, assistance for consumer protection establishments, assistance provided to nongovernmental orgs. and so on.

⁹⁰ Building infrastructure in areas where it is possible to specify: roads, airports, railroads, infrastructural network, Schengen border and so on.

3.27.5.4. FINANCIAL NEEDS

PROTECTED AREAS (IN EUROS)

	y 2008	y 2009	y 2010	y 2011	y 2012
Activities/ ⁹¹					
Institution building (premises, personal, activities...)	1,300,000	6,500,000	9,500,000	11,000,000	12,700,000
1. Preservation, maintenance and protected areas management:					
1.1. Establishing and furnishing night-watch and monitoring services and management administration,					
1.2. Maintenance and the significance of the internal order (hard waste and waste water management, spatial planning, recovery and re-cultivation of degraded soil, mitigating illegal construction consequences),					
1.3. Devising management documents (management, spatial and urban plans)					
1.4. Building uniform information system in the Republic, and instituting individual GIS projects for managing protected areas,	1,200,000	9,000,000	11,000,000	12,000,000	10,500,000
1.5. Education, research and development,					
2. Managing visitors:					
2.1. Building and furnishing visitor centers,	150,000	800,000		1,700,000	2,500,000
2.2. Building and furnishing entry stations,			1,500,000		
2.3. Devising instruction manuals					
3. Monitoring and improving the status and conditions of protected areas:					
3.1. Live organisms and the state of environment monitoring,	150,000	1,200,000		2,200,000	3,000,000
3.2. Re-introduction and decolonization of wild species in protected areas,			2,000,000		
3.3. Population and habitat management,					
3.4. Geo-legacy conservation and preservation of natural and cultural areas.					
4. Sustainable use of natural resources:					
4.1. Developing sustainable tourism, ecotourism and organic agriculture,	200,000	500,000		1,100,000	1,800,000
4.2. Sustainable fishing and hunting programs and projects,			1,000,000		
4.3. Sustainable use of water and mineral resources,					

4.4. Sustainable use of forests - programs and projects, 5. Regulating ownership and cooperation with owners and users in protected areas: 5.1. Buying, exchanging land or transferring rights to use, 5.2. Providing compensation to owners and real estate users for limiting rights to use their property, for damages endured or other expenses related to protection, 5.3. Encouraging adequate activities in the local population and of outside actors involved in the protected areas development.					
Infrastructure ⁹² 1. Hardware and software support for GIS protected areas and maintenance expenses	80,000	300,000	500,000	200,000	150,000
	20,000	50,000	150,000	300,000	400,000
2. Equipment for monitoring flora, fauna and the environment	50,000	500,000	1,000,000	200,000	200,000
	10,000	400,000	500,000	400,000	400,000
3. Fire prevention equipment					
4. Equipment for electronic or closed circuit protected areas monitoring					
Total PROTECTED AREAS– domestic and foreign sources (IN EUROS)	3,600,000	20,550,000	27,150,000	30,000,000	31,150,000
		0	0		
Domestic sources	1,600,000			13,000,000	14,150,000
	2,000,000	9,550,000	11,150,000	17,000,000	17,000,000
Foreign sources		11,000,000	0		
		0	16,000,000		
			0		

3.27.6. Industrial pollution control and risk management

3.27.6.1. Status

3.27.6.1.1. Legislative Framework

The Law on Environmental Protection and (*Official Gazette of the Republic of Serbia* No. 135/04) the Law on Integrated Pollution Prevention and Control (*Official Gazette of the Republic of Serbia* No. 135/04) regulate industrial pollution control and risk management fields in the Republic.

⁹² Building infrastructure in areas where it is possible to specify: roads, airports, railroads, infrastructural network, Schengen border and so on

- Provisions of the *Seveso II* Directive are partially transposed into the following: the existing Law on Environmental Protection, Regulation Methodology on Chemical Hazard and the Environmental Pollution Assessment and Contingency and Mitigation Measures.
- The Law on Environmental Protection is partially in agreement with the Regulation (EC) No 761/2001 of the European Parliament and Council allowing voluntary participation by organizations in a Community eco-management and audit scheme (EMAS), and Regulation (EC) No 1980/2000 of the European Parliament and Council on a revised Community eco-label award scheme.
- The Law on Integrated Pollution Prevention and Control is in accordance with the Directive 2008/1/EC of the European Parliament and Council concerning integrated pollution prevention and control - *IPPC*. With an objective of fully transposing IPPC directives into the domestic legislature and implementing the Law on Integrated Pollution Prevention and Control, the plan is to, on the basis of the Law on Integrated Pollution Prevention and Control; adopt a Regulation on coordinating diverse branches of economy, defining conditions for granting and issuing integrated operation permits to existing plants.
- Directive 2001/80/EC of the European Parliament and of the Council on the limitation of emissions of certain pollutants into the air from large combustion plants, and Directive 2001/81/EC of the European Parliament and Council on national emission ceilings for certain atmospheric pollutants are not reflected in domestic legislature.

The Law on Integrated Pollution Prevention and Control requires all new industrial plants to obtain an integrated permit for operation before commencing with their official activities, while existing plants must apply for, and obtain an integrated permit until 2015. At the moment, 226 plants were identified as ones requiring integrated permits. The implementation of the IPPS directive for certain plants, such as energy plants, grants a certain transitional period for obtaining a permit. Until today, no applications for an integrated operation permit were received, meaning no integrated permit was ever issued.

The project for Strengthening Environmental Capacities for 2003, financed by the European Agency for Reconstruction, lays down a foundation for an IPPC Pilot Project – Simulated issuance of the cement factory Holcim Concern integrated operation permit, in Popovac, Serbia. A simulated issuance of an integrated operation permit for the Pancevo Oil Refinery was conducted as a part of the ISLA project – Institutional support in regulation implementation in the field of industrial pollution, funded by the government of the Kingdom of Norway, geared toward building and strengthening capacities for IPPS related laws and their implementation.

3.27.6.1.2. Institutional Framework

Industrial pollution control and risk management are within the authority of the Ministry of Environmental protection; the Environmental Protection Agency manages BAT registrar activities while the Ministry of Defense and Ministry of Interior are responsible for handling chemical hazard related accidents and contingency planning.

- The Ministry of Environmental Protection employs 16 officers for the chemical hazard accidents prevention, out of which 5 are in charge of devising legislative framework and administrative procedure for registering industrial plants subject to Seveso II Directive, and for granting approval for operation based on the risk and hazard assessment in relation to environmental pollution and chemical accidents protection plans. The extent of the above mentioned activities and functions requires a total of 7 officers. At the moments, the Ministry employs 11 officers in charge of controlling and auditing Seveso II plants. This sector, in charge of effective performance requires a total of 18 officers. ISLA 2007 Project provided training for the Ministry of Environmental Protection officers and supervisors on implementing Seveso II Directive, and offered assistance in transposing Seveso II Directive into the domestic legislature.

- There is a need to continue with staff (supervisors and inspectors) training, in charge of environmental protection in the Republic, on both regional and local administrative level for the purpose of building capacities in risk management and contingency planning.
- There is a need to establish an efficient reporting and management system in the events of chemical hazard related accidents in the Republic, meaning, to develop an information system and obtain an adequate software program to create a large industrial plants data base which will allow for managing hazardous activities.
- Ministry of Environmental Protection is in charge of implementing legislative, and establishing institutional framework for EMAS system implementation. In 2007, EMAS Pilot Project, under the auspice of the CARDS2003 ESVR, produced an EMAS project proposal and EMAS Implementation Action Plan for the Republic. Currently, 3 officers at the Ministry are in charge of introducing EMAS systems and eco-labeling, while there is a need to hire at least 5 more.
- Accreditation Body of Serbia administers national accreditation and controlling services for EMAS verifications, and issues appropriate methodological instructions. There is a need to hire 3 more officers for these activities.
- Department for Integrated Pollution Prevention and Control within the Ministry employs 7 officers in charge of issuing integrated permits and monitoring BAT. There is a need to hire 15 more officers for these activities. Competent authorities in charge of issuing IPPC permits are the Ministry of Environmental Protection, Regional Secretariat for Environmental Protection and the environmental protection units of the local autonomy. The implementation of the Law on Pollution Prevention and Control and its provisions is conducted by the supervisory staff at the Ministry of Environmental Protection. At the moment, the Ministry employs 10 officers in charge of controlling plants requiring integrated permits, while, at least 15 more officers are needed. Local autonomy's officers are responsible for issuing integrated permits and examining industrial plants and their activities which require such permits. Local autonomy's units are in charge of examining and controlling industrial plants and their activities requiring, subject to this law, permits approved by the local autonomy. There is a need to build and strengthen local autonomy's capacities, and hire new officers for mentioned duties.

3.27.6.2. Short-term Priorities (2008-2009)

3.27.6.2.1. Legislative Framework

- To conduct, by the end of 2009, full transposition of the *Seveso II* Directive by adopting a Law amending the Law on Environmental Protection, and a Regulation on the content and methodology of Hazard Protection Policy, Security Report and Hazard Protection Plan.
- To devise a contingency procedure.
- To adopt, in the second quarter of 2009, a Law amending the Law on Environmental Protection which will set up mechanisms for implementing Regulation (EC) No. 761/2001 of the European Parliament and Council allowing voluntary participation by organizations in a Community eco-management and audit scheme (EMAS).
- To adopt, by the end of 2009, all bylaws and relevant provisions establishing mechanisms for implementing Regulation (EC) No. 1980/2000 of the European Parliament and Council on a revised Community eco-label award scheme.
- To transpose into the national legislature, by the end of 2009, Directive 2001/80/EC of the European Parliament and Council on the limitation of emissions of certain pollutants into the air from large combustion plants and Council Directive on national emission ceilings for certain atmospheric pollutants through adopting adequate bylaws and the Law on Air Protection.

- By the end of 2008, Regulation to Coordinate Diverse Branches of Economy and the Law on Integrated Pollution Protection and Control provision shall be adopted.

3.27.6.2.2. Institutional Framework

- By the end of 2009, the MEP will employ 7 more officers in charge of implementing Seveso II Directive, out of which, 2 will work on devising appropriate legislative framework and administrative procedure, and 5 will be hired as supervisory staff.
- A system for reporting and managing chemical hazard related accidents shall be developed through instituting an adequate information system and hazard related plant and related activities data base software;
- By the end of 2009, MEP shall employ 3 more officers in charge of eco-labeling enabling EMAS Serbia adoption and implementation. The ATC shall employ 1 more officer to administer EMAS Serbia adoption and implementation;
- To determine authorities and establish IPPC permits issuing system employing 3 more officers in charge of issuing permits and 5 officers as IPPC supervisors.
- For the purpose of implementing IPPC laws to provide appropriate training for the existing, and newly hired MEP and other competent national, regional and local authorities' staff in charge of permit issuance.
- Provide staff training in the IPPC plants for IPPC law implementation.

3.27.6.3. Mid-term Priorities (2010-2012)

3.27.6.3.1. Legislative Framework

- Develop a data base on *Seveso II* plants, National Chemical Safety Action Plan, Municipal Chemical Safety Action Plan and Cross border Hazard Protection Plan.
- By the end of 2010 adopt National EMAS Implementation and Action Plan.
- By the end of 2010 adopt all relevant by-laws establishing mechanisms for implementing Regulation 761/2001.

3.27.6.3.2. Institutional Framework

- By the end of 2012 the MEP shall hire 2 more supervising officers for the purpose of implementing *Seveso II* Directive.
- Establish an EMAS Council and Secretariat. The MEP shall hire 2 more officers for the purpose of introducing EMAS. The ATC shall hire 2 more officers administering EMAS program for Serbia implementation.
- 5 more officers shall be hired in charge of issuing IPPC permits.

Table 1.

Employment needs of state institutions

Institution	Specify if it is a current or planned institution	Current number of employees	<i>Planned (total) number of employees (by years)</i>					
			2008.	2009 ⁹³	2010	2011	2012	

⁹³The number of employees serves only as an example

Ministry of Environmental Protection								
Control and Supervision Department	Division Accident Procedures Division -SEVESO inspection	Current	16	21	22	23	24	25
	IPPC Inspection	Current	10	10	15	15	15	15
An integrated permit	Permit issuance Department	Current	7	8	10	12	15	15
EMAS	EMAC/Eco-labeling Sector for Clean Production Standards	Current	3	6	6	8	8	8
	Accreditation Body of Serbia	Total	0	0	1	2	3	3
Total			23	31	36	39	43	43

3.8.1.4. Financial Needs

Table 2A. Needs of the Ministry of Environmental Protection (MEP)

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities					
Building of institutions (premises, staff, equipment...)					
Infrastructure					

Table 2B. Budget of the Ministry of Environmental Protection, Control and Supervision Department, Accident Procedure Division - domestic source

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities	<i>1.000 NIP(project in cooperation with the</i>	<i>370.000 NIP(project in cooperation with the Ministry of</i>			

	<i>Ministry of Defense)</i>				
Building of institutions (premises, staff, equipment...)					
Procurement of equipment of ecotoxicol. Units in the Republic (transferable appliances for measuring pollution, lap top computers, radio appliances, interface equipment – NIP		85.300.- EUR			
Procurement of computers and cameras for 10 inspectors currently on staff in Control and Supervision Department	10.000.- EUR				
Procurement of new vehicles for the Control and Supervision Department for currently and newly employed staff listed in the employment table	50.000.- EUR (for 5 vehicles)	60.000.- EUR (for 6 vehicles)			
Infrastructure					
Communication and Commutation system development in accordance with the NIP project		420.000,00 EUR			
NIP Information System Development		250.000.- EUR			

Table 2C. Budget of the Ministry of Environmental Protection, Control and Supervision Sector, Accident Procedure Division – foreign source (*Twinning*, technical assistance, IPA/bilateral assistance)

	in 2008	in 2009	in 2010	in 2011	in 2012
SEVESO inspection training project UNDP	10.000	10.000			
Institution building (premises, personnel, equipment, etc.)					
Infrastructure					

3.27.7. Genetically modified organisms

3.27.7.1. Status

3.27.7.1.1. Legislative Framework

Serbian Agricultural Development Strategy, adopted in 2005 assumes development of modern biotechnologies and biological safety in modern agriculture, and provides for development of strategic, legislative, administrative and technical instruments for securing adequate control and protection levels in dealing with GMOs, and reducing potential risks that may materialize from the GMO use.

GMOs are regulated with the Law on Genetically Modified Organisms (*Official Gazette of the SR Yugoslavia* No. 21/2001) and relevant bylaws regulating conditions for free use, production and selling of GMOs and their byproducts, and further prescribing measures and conditions for prevention and mitigation of unwanted environmental and hazardous effects on human health, leaving out cross border exchange, labeling, public relations, control and monitoring of GMOs and their byproducts. The Law is in agreement with the EU Directives 90/220/EEC and 90/219/EEC. Bylaws are in agreement with the EU Directive 2001/18/EC and were adopted in 2002.

New Law on GMOs will regulate the following: conditions for GMO use in enclosed systems (laboratories, greenhouses), purposeful and deliberated introduction of GMOs into the environment (experimental and commercial breeding), marketing of GMOs and their byproducts (export/import and/or internal marketing); handling, transportation, packaging, transport within the Republic, labeling and processing of GMOs and their byproducts; measures and conditions for preventing and eliminating potential unwanted effects when dealing with GMOs; responsibilities and authorities in the case of damage due to unauthorized use of GMOs, establishing of the National Council for Biosafety and its activities, GMO and their byproducts monitoring; allowances; compensation for expenses incurred while obtaining a permit for work with particular kinds of GMOs.

The Republic of Serbia on 08.02.2006 ratified Cartagena Protocol on Biosafety and became its full-fledged member on 09.05.2006.

A draft of the National Biosafety Framework was prepared in 2006, under the „National Biosafety Framework for Serbia and Montenegro” project which is a part of a wider and global UNEP/GEF „Development of National Biosafety Frameworks“ project.

3.27.7.1.2. Institutional Framework

GMOs fall within the authority of the Ministry of Agriculture, Forestry and Water Management (MAFW). Plant Protection Administration, Veterinary Administration of the Ministry and Agricultural Inspection are in charge of supervising the field of GMOs. Fitosanitary and Veterinary Inspections control the GMO's and their byproducts' imports. There is not an established system for controlling GMOs and their byproducts' labeling. There is a need to strengthen GMO management capacities.

GMOs and their byproducts related research on behalf of MAFW is entrusted with three authorized laboratories. National Council on Biosafety was established consisting of professional team in various fields, totaling 17 members, and dealing with professional GMO affairs. The National Council is, based on its scientific foundation, authorized to assess GMO's biosafety and relays its opinion to the Ministry (MAFW) regarding further steps in handling of GMOs.

There is a need to establish a National Data Base in the field of modern biotechnology intended as a part of the VSN mechanism for exchange of information in the field of biosafety.

3.27.7.2. Short-term Priorities (2008-2009)

3.27.7.2.1. Legislative Framework

To adopt, by the end of 2009, a Law on GMOs. New law will transpose Directive 2001/18/EC and Directive 98/81/EC, and shall be in concordance with the Cartagena Protocol, World Trade Organization Treaties and following EU Regulations: the Regulation 1829/2003/EEC, Regulation 1830/2003, Regulation 1831/2003, Regulation 1946/2003, Regulation 65/2004, and Regulation 641/2004.

3.27.7.2.2. Institutional Framework

To set up, by the end of 2009, a National Modern Biotechnology Data Base.

There is a need to build up capacities for public involvement in the decision making process related to the use and marketing of GMOs (organize workshops and public discussions and produce printed promotional materials).

It is important to strengthen administrative capacities through hiring new staff competent in maintaining and managing the data base, training existing staff and procuring adequate equipment.

3.27.7.3. Mid-term Priorities (2010-2012)

3.27.7.3.1. Legislative Framework

To adopt, by the end of the second quarter of 2011, all necessary pertinent bylaws for implementing the Law on GMOs, completely transposing all applicable EU provisions in the field.

3.27.7.3.2. Institutional Framework

To establish, by the end of 2011, a system for GMOs and GMO's byproducts labeling control.

To continue with strengthening the capacities through hiring new well trained staff and training existing staff.

Table 1

Employment needs of state institution

Institution	Current/Planned Institution	Current staff	Planned (total) number of employees (by years)				
			2008.	2009.	2010.	2011.	2012.
The Ministry of Agriculture, Forestry and Water Protection	Current	1	1	2	2	2	2
TOTAL:		1	1	2	2	2	2

3.27.8. Chemicals

3.27.8.1. Status

3.27.8.1.1. Legislative Framework

The existing law regulating the use of chemicals as products, is the Law on Production and Marketing of Poisonous Substances (*Official Gazette RS*, No.15/1995, 28/1996 and 37/2002) which is not in agreement with the following EU provisions: Regulation EC 1907/2006 (REACH), Regulation 67/548/EEC; Regulation 99/45/EC; Regulation 2004/42/EC; Regulation EC 304/2003 and Regulation EC 648/2004, Directive 98/8/EC, Regulation EC 1896/2000, Regulation EC 1687/2002, Regulation EC 2032/2003, and Regulation EC 1048/2005. This Law concerns natural or synthetic substances and their compounds potentially hazardous to the environment and human health, meaning all dangerous chemicals, not only poisons. The Law also regulates classification into three groups prior to production. The Law, along with regulating conditions for marketing above mentioned substances, regulates conditions businesses and undertakers intending to produce and sell poisonous substances have to fulfill in order to be granted permission from the competent EU authority/ministry. The concept of the current Law is different than that of the current EU Directives in force.

The New Law on Chemicals shall prescribe necessary procedures for implementing Member States' obligations under the REACH, and shall establish a foundation for drafting and adopting bylaws for implementing Globally Harmonized System of Classification and Labeling of Chemicals (GHS).

The biocide field is currently only partially regulated with following legal documents: The Law on Production and Marketing of Poisonous Substances (*Official Gazette RS*, No. 15/1995), The Law on Plant Protection (*Official Gazette RS*, No. 24/98), The Law on Food and Products of General Use Health Code (*Official Gazette RS*, No. 55/78), all of which are not in concordance with the EU Directive 98/8/E3.

The Republic of Serbia did not ratify the Stockholm Convention on Persistent Organic Pollutants (POPs) (Stockholm Convention) and the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention).

Good Laboratory Practice (GLP) is conducted only in relation to medicine examination in accordance with the Law on Drugs and Medical Substances (*Official Gazette RS*, Nos.84/04 and 85/05). The GLP Guidelines (*Official Gazette RS*, No 28/08) are entirely in accordance with EU Directives 9/2004/EC and 10/2004/EC in sections dealing with drugs and medicine. Amendments to the Law on Drugs and Medical Substances and relevant bylaws will further regulate the GLP field and entirely transpose mentioned Directives.

3.27.8.1.2. Institutional Framework

Chemical substances field is managed by the Ministry of Environmental Protection, with 14 officers on staff dealing with activities managing chemical substances, while environmental inspectors supervise the activities, leaving the GLP to the Ministry of Defense employing 3 officers for this purpose.

Chemical substances supervision and inspection is entrusted with the Inspectorate for Environmental Protection, Market, Sanitary and Drugs and Medical Substances Inspections.

There is a need to establish an Agency for Chemical Substances as an independent, developmental, professional and regulatory organization in charge of public approvals in the field of chemical substances and biocides. The financing for the Agency shall be provided from the remunerations from activities entailed by the Law on Chemical Substances and the Law on Biocides. The Agency will utilize the MEP staff.

There is a need to improve professional knowledge of the staff, and strengthen capacities for chemical substances and biocides' management according to the REACH provisions and other relevant EU provisions.

There is a need to devise Stockholm Convention Implementation Plan, promote implementation capacities, devise a National Chemical Substances Management Profile, improve national capacities for the Strategic Approach to the International Chemical Management (SAICM) and establish, through adequate interdepartmental cooperation, an integral managing approach of chemical substances throughout their entire life span.

There is a need to compile an Inventory of the Chemicals on the market and to establish a related data base.

It is essential to strengthen industrial capacities and to improve professional staff competencies.

There is a need to institute a National Institution for the GLP Harmonization Control, as a national body in charge of controlling the degree of harmonization between the national research laboratories and the GLP, and to allow for free access to the OECD system.

3.27.8.2. Short term Priorities (2008-2009)

3.27.8.2.1 Legislative Framework

- To adopt, in the second quarter of 2009, the Law on Chemicals in coordination and concordance with the REACH, EU Directive 67/548/EEC; Directive 99/45/EC; Directive 2004/42 /EC; Regulation EC 304/2003 and Regulation EC 648/2004.
- To adopt, by the end of 2009, all relevant bylaws to further transpose Directives 99/45/EC and 67/548/EEC (provisions that remained in force with REACH) and secure agreement with the REACH, and Regulations EC 304/2003 and EC 648/2004.
- To adopt, in the second quarter of 2009, the Law on Biocides in coordination and concordance with: EU Directive 98/8/EC, Regulation EC 1896/2000, Regulation EC 1687/2002, Regulation EC E3 2032/2003, and Regulation EC1048/2005.

- To adopt, by the end of 2009, all relevant bylaws further transposing EU Directive 98/8/EC, in agreement with: Regulation EC 1896/2000, Regulation EC 1687/2002, Regulation EC 2032/2003, and Regulation EC 1048/2005.
- To ratify, by the end of 2009, the Stockholm Convention
- To ratify, by the end of 2009, the Rotterdam Convention
- To devise a National Stockholm Convention Implementation Plan, containing a National Chemical Substances Management Profile, the Inventory of Persistent Organic Pollutants and Action Plans on implementing measures for reduction and elimination of POPs in the environment.
- To adopt, by the end of 2008, the Law amending the Law on Drugs and Medical Substances, in accordance with the EU Directives 9/2004/EC and 10/2004/EC.

3.27.8.2.2. Institutional Framework

The Chemical Agency shall be established within six months from adopting the Law on Chemical Substances Control Law scheduled for the last quarter of 2009.

By the end of 2008, commence with staff training at Ministry, Chemical Agency, Market, Sanitary, and Environmental Protection Inspections, and Drugs and Medical Substances inspectors training, with an objective of, with an assistance from the Swedish Chemicals Agency (KemI), enabling them to implement harmonized legislature in the chemical substances management field through realizing projects for building chemicals and GLP management capacities.

Improve professional capacities in the industry through IPA 2008 and KemI, and organize advanced Chemical Agency staff and inspector training.

By the end of 2009, organize industry help desk for implementing harmonized EU provisions.

In the second half of 2009, establish a National Institution for the Control of the GLP Harmonization and allow for its accession to the OECD system.

3.27.8.3. Mid-term Priorities (2010-2012)

3.27.8.3.1. Legislative Framework

- To adopt, by the end of 2010, all remaining bylaws for harmonization with the REACH completely transferring following Directives: EU Directive 67/548/EEC, Directive 99/45/EC and Directive 2004/42/EC.
- To transpose into the national legislature, by the end of 2010, all relevant EU provision regarding biocides.
- To transpose into the national legislature, by the end of 2010, all relevant EU provision on GLP.

3.27.8.3.2. Institutional Framework

Continue with strengthening administrative capacities through intensive hiring and staff training, and continue with staff training in the chemical industry, educational facilities and research and development institutions regarding REACH implementation and chemical hazard risk assessment.

Set up a national information system including an Inventory of Chemicals.

Provide adequate hardware and software information system equipment.

Provide for participation of the Chemical Agency in the functioning of the European Chemical Agency for the purpose of monitoring centralized EU procedures.

Build and strengthen capacities of the Ministry of Defense through staff, and particularly inspector training, based on the number of research laboratories involved in the national program for controlling the harmonization with the GLP, the number of research projects and their complexity.

Table 1.
Employment needs of state institutions

Institution	Specify if it is a current or planned institution	Current number of employees	Planned (total) number of employees (by years)				
			2008.	2009 ⁹⁴	2010	2011	2012
Ministry of Environmental Protection	Current	12	13	/	/	/	/
Chemical Agency	Planned	/	/	13	15	15	18

Financial Needs

Table 2A.⁹⁵ Needs

	in 2008	in 2009	in 2010	in 2011	in 2012
Project for devising an Implementation Plan for Stockholm Convention on Persistent Organic Pollutants (POPs project)	191.713 USD				
Project for updating National Chemical Management Profile, developing national capacities assessment for Strategic Approach to International Chemicals Management, organizing seminars on establishing national priorities in Strategic Approach to International Chemical Management (SAICM project)	20.000 USD				

⁹⁴ The number of employees serves only as an example

⁹⁵ Table „2A“ represent a sum of resources specified in tables 2B and 2C

Project for strengthening administrative capacities in implementing chemicals management systems in Serbia conducted by the Swedish Chemical Agency financed by the Swedish Government (KemI project)	179.000 EUR	179.000 EUR	179.000 EUR		
Project for building governmental, industrial, and scientific, research and development capacities for chemicals management. Project proposal IPA 2008			700.000 EYP	700.000 EYP	
Devising bylaws based on laws on chemicals and biocides					
Provision implementation in the field of chemical and biocides management					
Institution building (premises, personnel, equipment, etc.)					
Infrastructure					
Establishing and updating integrated chemicals management information system data base	35.000	5.000	50.000	50.000	

Note:

Specify amounts in euros separately for each year.

With regards to foreign support specify types and sources of foreign support.

Table 2B – Budget – domestic source

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities					
Institution building (premises, personnel, equipment, etc.)					
Infrastructure					
Establishing and updating an integrated chemicals management information system data base	35.000 EUR	5.000 EUR			

Table 2C. Budget – foreign source (*Twinning, technical assistance, IPA/bilateral assistance*)

	in 2008	in 2009	in 2010	in 2011	in 2012
Projects (<i>policy</i>) KemI Project	179.000 EUR	179.000 EUR			
POPs Project SAICM Project	211.713 USD		879.000 EUR		
KemI Project IPA 2008				700.000 EUR	
IPA 2008					
Institution building (premises, personnel, equipment, etc.)					
Infrastructure					
Establishing and updating an integrated chemicals management information system			50.000 EUR	50.000 EUR	

data base					
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3.27.9. Protection from noise

3.27.9.1. Status

3.27.9.1.1 Legislative Framework

Noise protection field is regulated with the Law on Environmental Protection provisions (*Official Gazette RS*, Nos. 66/91, 83/92, 53/93, 67/93, 48/94 and 53/95) which remained in force after the new Law on Environmental Protection was adopted, and will remain in force until a new special law regulating noise protection is passed. Also, the Law on Air Traffic regulating air traffic and airport noise and existing technical ordinances concerning vehicles and industrial machines are competent in this area. The Statutes on Allowed Noise Level in the Environment (*Official Gazette RS*, No. 54/92), is in force and regulates allowed noise levels in the human environment, methods for measuring noise levels, and further conditions professional organizations for measuring noise protection must fulfill, with a list of noise sources that are being marketed. These regulations and statute are not in agreement with the EU Directive 2002/49/EC relating to the assessment and management of the environmental noise. In the area of vehicle noise UN/ECE Agreement Global technical regulations for wheeled vehicles, equipment and parts which can be fitted and/or be used on wheeled vehicles and conditions for mutual recognition of regulations based homologies, is the most relevant. Furthermore, there are UN/ECE Rules of Procedure entirely in accordance with the EU Directive 97/24/EEC and EU Directive 70/157/EEC.

The Law on Air Traffic (*Official Gazette of the SRY*, Nos. 12/98, 44/99, 73/2000, 70/2001 and *Official Gazette of the Republic of Serbia* No. 101/2005) regulates conditions for safe air traffic in the Serbian air space, requiring an aircraft flying in Serbian air space to possess a certificate on the amount of noise it produces while taking off, taxiing, while airborne and landing. A foundation for passing relevant bylaws regulating aircraft noise levels and measuring methods has thus been provided, but this regulation has not yet been passed. This Law also regulates aircraft noise levels in particular airport areas and their surroundings, specifying that certain airport owner or user must institute, and maintain mechanisms for constant aircraft noise monitoring and reporting.

The new Law on Civil Aviation is being drafted, and its purpose is to fully transpose EU Directive 89/629/EEC, amended Directive 92/14/EEC and Directive 2006/93/EC.

3.27.9.1.2. Institutional Framework

Noise protection field falls within the competencies of the Ministry of Environmental Protection, the Agency and the Ministry of Infrastructure. MEP is responsible for environmental noise protection, for this purpose employing three officers, with an actual need for seven of them. The competent environmental protection inspection is in charge of supervising and controlling environmental noise.

In the noise protection field the Agency is responsible for monitoring and registering environmental noise, noise monitoring data management falling within the scope of environmental protection informational system (polluters, cadastre), devising strategic noise maps in cooperation with competent authorities, and other relevant entities in the field of spatial planning, construction and transportation. For these duties the Agency employs three officers with an actual need for five of them.

The Ministry of Infrastructure is responsible for the vehicle produced and outdoor equipment, such as lawnmowers, and specific outdoor machinery produced noise. Traffic Safety Department employs one officer for managing vehicle noise. Vehicle Homologation Department is being overtaken from the

Ministry of Infrastructure by the Standardization Institute. Homologation Department employs five officers while the actual need is nine of them.

Civil Aviation Directorate, in accordance with the Law on Air Traffic, is among others, responsible for managing air space, securing compliance with the rules and standards for using air space, including environmental protection standards, issuing certificates on aircraft noise levels, and managing airport noise standards.

3.27.9.2. Short-term Priorities (2008-2009)

3.27.9.2.1. Legislative Framework

To pass and adopt, by the end of 2009 , the Law on Environmental Noise Protection and all relevant bylaws regulating environmental noise ceilings, methodology for determining high level noise zones in the inhabited and non-inhabited areas and their vicinity, noise indicators, methods for examining environmental noise and hazardous effects on human health, ways for collecting data for assessment, obligatory content, methods for drawing up environmental noise maps and their presentation to the public, action plans developmental methodology, thus completely transposing EU Directive 2002/49/EC related to assessment and managing environmental noise to the national legislature. This will provide for establishing a noise monitoring system for the Agency to implement.

To transpose into the domestic legislature, by the end of 2009, amended EU Directive 70/157/EEC on vehicle noise.

To adopt, by the end of 2009, the Law on Civil Aviation thus transposing EU Directive 89/629/EEC, amended EU Directive 92/14/EEC, EU Directive 2006/93/EC and amended Directive 2002/30/EC.

3.27.9.2.2. Institutional Framework

There is a need to hire two more officers for the noise protection activities at the MEP, and secure for strengthening the capacities through staff training in this field.

At the Agency, establish a Noise Division in charge of setting up a noise information system as a subsystem of the environmental protection information system.

Set up Vehicle Homologation Department within the Ministry of Infrastructure and hire one more officer.

3.27.9.3. Mid-term Priorities (2010-2012)

3.27.9.3.1 Legislative Framework

At the Agency, devise and draw up strategic noise maps setting up a foundation for devising relevant action plans, and develop an Environmental Noise Protection Action Plan for road, air and railway traffic, inhabited areas, industrial plants and all other activities of the ministry responsible for issuing integrated permits and managing frontier areas.

To transpose into the domestic legislature amended EU Directive 97/24/EC and amended Directive 77/311/EEC.

Concerning the field of mowers and outdoors equipment, to transpose into the domestic legislature amended Directive 84/538/EEC and amended Directive 2000/14/EC.

3.27.9.3.2 Institutional Framework

Hire two more officers at the MEP, two more officers at the Agency and two more officers at the Ministry of Infrastructure, and continue with strengthening capacities through staff training in the field of noise protection.

Table 1.

Employment needs of state institutions

Institution	Specify if it is a current or planned institution	Current number of employees	Planned (total) number of employees (by years)				
			2008	2009 ⁹⁶	2010	2011	2012
The Ministry of Environmental Protection (Noise and Vibration Protection Dep't.)	Current	3	4	5	6	7	7
Environmental Protection Agency – Noise Division	Planned	3	3	3	5	5	5
Ministry of Infrastructure							
Transportation Safety Department	Current	1					
Vehicle Homologation Department	Planned	5	5	7	8	9	9

3.27.10. Forestry

3.27.10.1. Status

3.27.10.1.1. Legislative Framework

The Law on Forests regulates the field of forestry in the Republic (*Official Gazette RS*, No. 46/91, 83/92, 54/96), along with the Law on Reproductive Materials from Forest Wood (*Official Gazette RS*, No. 135/04 and 8/05) and the Law on Hunting (*Official Gazette RS*, No.39/93), The Law on Pest and Illness Plant Protection (Revised text) (*Official Gazette of the SRS*, No. 14/84 – revised text) the Law on Plant Protection (*Official Gazette of the SRY*, No. 24/98), and all relevant bylaws passed on the basis of mentioned regulations.

Domestic legislature is not in agreement with the Council Regulation 3528/86/EEC on the protection of the Community's forests against atmospheric pollution, Council Regulation 2158/92/EEC

on protection of the Community's forests against fire and European Parliament and Council Regulation 2152/2003/EC concerning monitoring of forests and environmental interactions in the Community.

The new Law on Forests (the Law) is being drafted, and its adoption will contribute to harmonizing domestic legislature with the above mentioned European provisions.

The Government of the Republic of Serbia has, in 2006, adopted a Forestry Development Strategy of the Republic of Serbia defining current conditions in the forestry field in the Republic, and developmental objectives, and is guided by the principle of sustainable use of forests and improvement their general state, taking into an account all encompassing importance and purpose forests have for the society as a whole. As a part of projects financed by the Finnish government, based on obligations spanning from the acceptance of the Ministerial Conference on the Protection of Forests in Europe (MCPFE), National Action Plan for Forests is being drafted providing for precise definitions and operative implementation of the Ten-year Forestry Development Strategy of the Republic of Serbia. Prior to developing a National Action Plan for Forests, a complete inventory of the forests in the Republic was conducted between 2004 and 2007.

3.27.10.1.2. Institutional Framework

Ministry of Agriculture, Forestry and Water Management, Forestry Department, is responsible for all activities related to forests. Forestry Department employs a total of 96 officers, where 68 of them are forestry inspectors. Forestry Department allocates stimulating resources for forest protection and improvement of their state, collected from special forests activities, and designated a separate budget.

Public owned forests are managed by two public enterprises – Srbiasume (Serbia Forests) and Vojvodinasume (Vojvodina Forests) while 5 public enterprises manage following national parks in Serbia - Fruska gora, Djerdap, Kopaonik, Tara and Sar Planina. These public enterprises are entitled to conduct professional and technical activities in privately owned forests, financed from the budget of the Republic of Serbia, Department of Forestry. Research and development, and scientific institutions in the forestry field are Forestry Institute in Belgrade, and Research and Development Institute for lowland forestry and the environment in Novi Sad (diagnosis and protection of forests). Mentioned institutions are employed by the Ministry for the purpose of monitoring forests' health conditions under the International Co-operative Program on Assessment and Monitoring of Air Pollution Effects on Forests (*ICP Forest*), operating under the UNECE Convention on Long-range Transboundary Air Pollution. (*CLRTAP*). One of their projects was a Bioindicator Points Network Revitalization in 2003, originally instituted in 1986.

There is a need to establish a Forestry Agency responsible for actions related to the public forestry and hunting, and hire 40 more officers.

3.27.10.2. Short-term Priorities (2008-2010)

3.27.10.2.1. Legislative Framework

To adopt, by the end of 2009, relevant Law in agreement with the European Parliament and Council Regulation 2152/2003/EC, Council Regulation 2158/92/EEC, and Council Regulation 3528/86/EEC.

3.27.10.2.2. Institutional Framework

Strengthen existing capacities through staff training. Provide forestry inspector with technical and material resources, such as vehicles, working space, technology, and computers and so on, in order to secure a more efficient performance.

3.27.10.3. Mid-term Priorities (2010-2012)

3.27.10.3.1. Legislative Framework

Based on the Law, adopt all relevant bylaws aimed at reaching complete agreement and harmonization with the European Parliament and Council Regulation 2152/2003/EC, Council Regulation 2158/92/EEC, and Council Regulation 3528/86/EEC.

By the end of 2010 Action Plan on Forest Protection shall be adopted.

3.27.10.3.2. Institutional Framework

Establishing information system for Serbian forests is a mid-term priority.

Establish a Forestry Agency and hire 40 more officers for the public forestry and hunting related activities by 2010.

* Tables 1 and 2 include an entire forestry area processed in others subgroups too.

Table 1.
Employment need of state institutions

Institution	Specify if it is a current or planned institution	Current number of employees	<i>Planned (total) number of employees (by years)</i>				
			2008.	2009.	2010.	2011.	2012.
Forestry Department	Current	96	96	96	96	96	96
Forestry Agency	Planned	-	-	-	40	40	40
TOTAL :		96	96	96	136	136	136

3.27.10.3.3 FINANCIAL NEEDS

Table 2.

	2008.	2009.	2010.	2011.	2012.
Activities *					
Establishing informational system for Serbian forests	-	80.000 €	35.000 €	35.000 €	10.000 €
Equipping inspectors – vehicles, computers, etc.	-	-	350.000 €	70.000 €	150.000 €
Salaries of the Forestry Agency employees	-	-	600.000 €	700.000 €	800.000 €

Equipment and offices of the Forestry Agency	-	-	350.000 €	50.000 €	120.000 €
Continual training and advancement	-	-	60.000 €	80.000 €	100.000 €
TOTAL:	-	80.000 €	1.395.000 €	935.000 €	1.180.000 €

*additional expenses related to the regulations implementation, and are not direct incurred by the administration.

ANNEXS

The Law on Forest Reproductive Material is based on the Council Directive 1999/105/EC on the marketing of forest reproductive material, and the Statute on recognizing initial materials and forests reproductive material production and monitoring (*Official Gazette RS*, No. 76/05), adopted on the basis of this Law. The Law is partially in agreement with mentioned Directives up to the point where it limits forest reproductive material imports for the purpose of preserving own gene-fund and preventing lower quality imports of the past. EU Directives do not allow limitations on the free movement of good. It is planned to delete the mentioned point prior to the EU accession.

3.27.11. Civil Protection - Rescue and Protection

Civil protection field, rescue and protection are regulated with following provisions: the Fire Protection Law (*Official Gazette RS*, No. 37/88), National Defense Law of the RS (*Official Gazette RS*, No. 116/07) and the Law on Environmental Disaster Protection (*Official Gazette RS*, Nos. 20/77 and 101/2005). Mentioned regulations are not in agreement with the relevant EU legislature.

It is important to draft new provisions in order to harmonize domestic legislature with following EU provisions:

- Decision 2001/792/EC;
- Decision 2007/162/EC;
- Decision 1999/847/EC;
- Decision 2004/277/EC;
- Decision 2005/12/EC.

Since, currently the Ministry of Defense and the Ministry of Interior have conflicting competencies, the deadline for harmonization with above mentioned regulations, financial needs and hiring plan will be determined after clarifying mentioned competencies.

3.28.HEALTH CARE AND CONSUMER PROTECTION

3.28.1. Consumer Protection

3.28.1.1. The Background

3.28.1.1.1. The Legal Framework

The principle of the consumer protection is established under the Constitution of the Republic of Serbia by explicitly stipulating that the Republic of Serbia shall protect consumers and, more specifically, that the measures directed against consumer health, security and privacy, or any dishonest market action shall not be allowed, the same rule relating to any dishonest actions on the market.

The present-day consumer protection development level in the Republic of Serbia and the development of the conditions prevailing in the field of consumer protection in the Republic of Serbia are to be seen by passing through the enforcement of the Law on the Protection of Consumers („Official Herald of the Republic of Serbia“, No. 79/2005), as well as the several years' enforcement of other stipulations regulating consumer protection, and the accomplishments made by consumer organizations, associations and movements in the area. The passing of the first Law on the Protection of Consumers in the Republic of Serbia provides a legal framework considered to secure establishing the highest EU standards in the domain of consumer protection in the practices of the Serbian market and services practices.

The fundamental lines of this Law are based on the international legislation in the field, primarily the UN General Assembly Resolution No. 39/248 of 1985, which contains definitions of fundamental rights of consumers: availability of basic necessities, right to safety, right to being informed, right to choose, the consumer's right to be heard, right to compensation, right to education and right to a healthy environment. Along with these fundamental rights, the Law contains stipulations on the protection of the consumer's life, health and security and the protection of economic interests of consumer, as well as some specific forms of consumer protection in the domain of the use of services, standard contracts, consumer information and education, along with indemnifications provisions.

A legal framework for the inauguration of the system is established by institutional state agencies, as well as independent consumer organizations, by inserting a number of EU guidelines and instructions on consumer protection into the Law on the Protection of Consumers, with the aim to establish and implement active consumer protection. According to the EU experts' evaluation of the present level of the consumer protection system, some progress has been made in the Law adjustment, but it has also been clearly noted that the consumer protection, as far as the institutions development and enforcement are concerned, is poor yet, that the administrative resources have to be strengthened, thus making correct implementation and enforcement of the adopted legislation possible.

The Law on Protection of Consumers, as adopted in the Republic of Serbia, is a good foundation for starting the process of legal and institutional harmonization with the EU Acquis in this field. The first stage of legal rapprochement may involve accomplishing just a partial harmonization with the EU Acquis and introducing the fundamental principles of the Acquis, along with the general enforcement structures, aiming at gradual appropriate implementation consumer rights.

Consumer interests are also protected by a series of regulations covering various consumer rights, such as: the Law of Obligations, the Law on Advertising („Official Herald of the Republic of Serbia“, No. 79/2005), the Law on the Protection of Competition („Official Herald of the Republic of Serbia“,

No. 79/2005), The Law on Prices („Official Herald of the Republic of Serbia“, 79/2005), „the Law on the Conditions for the Turnover of Goods, Services in the Turnover of Goods, and Inspection Supervision“ („Official Herald of the Republic of Serbia“, No. 39/96, 20/97, 46/98,... 34/2001,80/2002,101/2005), the Law on the Liability of Producers of Faulty Things („Official Herald of the Republic of Serbia,“ No. 101/05), the Law on Banks („The Official Herald of the Republic of Serbia, No. 107/2005), the Law on Insurance („Official Herald of the Republic of Serbia, No. 55/2004, 61/2005 and 101/2007), the Law on Financial Leasing (Official Herald of the Republic of Serbia, No. 55/2003 and 61/2005), the Law on the Optional Pension Fund and Pension Plan („Official Herald of the Republic of Serbia, No. 85/2005), the Law on Payments (the „Official Gazette of the Federal Republic of Yugoslavia ,“ No. 3/2002 and 5/2003 and the „Official Herald of the Republic of Serbia,“ No. 43/2004 and 62/2006), the Law on Foreign Exchange Operations (the „Official Herald of the Republic of Serbia,“ No. 62/2006), the Law on Mediation („the Official Herald of the Republic of Serbia, No. 18/2005), and others.

In January 2007, the Government adopted the **National Programme** on Consumer Protection, for the period 2007 - 2012 (the „Official Herald of the Republic of Serbia, No. 11/2007). The primary objective for adopting this Programme was the inauguration and recognition of consumer protection and interests, the setting up of new institutions and the introduction of partnership cooperation between the stakeholders in implementing, protecting and promoting consumer rights and interests. That is to say, indirectly promoting the economic system of the Republic of Serbia and enhancing the appeal of its economy for foreign investment and other forms of international economic cooperation. It is clear that such an objective can only be reached providing an effort is being made towards integration into the EU economic and legal systems. The Republic of Serbia has clearly demonstrated that it is on its way to fully implement a legal system characteristic of a modern European democratic society by introducing an obligation for the Republic of Serbia to protect the consumer, in compliance with Article 90 of the Constitution of the Republic of Serbia.

3.28.1.1.2. Institutional Framework

In conformity with the Law on the Protection of Consumers, the Ministry of Trade and Services is the holder of the consumer protection system. The Ministry is responsible for establishing the consumer protection system and for proposing regulations in the consumer protection field, to be determined by the Government. (- The Consumer Protection Branch, The Minister’s Council for Consumer Protection, an advisory-consultative body, The Sector for Market Inspection, along with other ministries and inspections in charge of monitoring consumer protection, along with independent consumer organizations and their associations.

A special organizational unit has been formed within the Ministry – the Consumer Protection Branch, consisting of 5 (five) employees (three university graduates, one college graduate and one high school graduate), along with the Minister’s Council for Consumer Protection, an advisory-consultative body. The members of the Council are prominent researchers and experts in the field, along with the representatives of relevant ministries and consumer organizations. Likewise other EU member countries that share similar practice bodies, the Council is not entrusted with decision-making, its role being of an advisory nature. Indeed, the Council is a consultative body charged to assist the Minister and the Ministry at large in making best and most effective decisions on various issues, aimed at promoting the consumer protection policy. Another reason behind the setting up of this Council was to better integrate consumer organizations in the process of conceiving consumer protection policy , and to listen to their voices, which is, indeed, the general precondition imposed by the EU Acquis in the consumer protection field.

Within the Ministry of Trade and Services, there is a Market Inspection Sector, it is a very important body in the consumer protection field. There are 571 employees, out of whom 512 are market inspectors with a university degree – in law, economics, engineering, mechanical engineering, electrical engineering, technology and agriculture.

Two divisions for coordination of inspection supervision affairs have been set up within the headquarters of the Ministry of Trade and Services' Market inspection sector, encompassing also the consumer protection, coordination of inspection supervision in the field of quality control and industrial-non-alimentary products security, along with the services quality and safety. This coordination involves combining and monitoring the activities in 27 area organizational units of the Market Inspection Sector, in charge of direct inspection supervision in the territory of the Republic of Serbia.

The field units – Market inspection divisions, are organised along functional and territorial principles; accordingly, those covering the cities such as Belgrade, Novi Sad and Nis, have specific responsibilities, including the responsibility covered by the Consumer protection section, with all other market inspection divisions being organized along the territorial principle, and all internal sections and all market inspectors, concurrently with their other work, are engaged in the consumer protection domain.

Coordination of inspection supervision in the field of consumer protection conducted from the Ministry of Trade and Services headquarters – Market inspection sector, is available for the turnover and services control, i.e. for protecting the consumer purchasing products and services.

In 2007, 6.405 consumer reports were forwarded to the Market inspection sector, out of which:

- 3.076 (48%) on unsettled complaints about faulty goods or unperformed service;
- 909 (14%) on nonissuing an invoice for the goods or services purchud;
- 57 (1%) on misleading advertising of products and services;
- 2.234 (36%) on unlicensed activities, on failing to exhibit price tags, on overcharging products or services and on inaccurate weighing;
- 129 (1%) other reports.

Out of the total of 6.405 reports received in 2007, 68% cases were detected of violation of the consumer rights, entailing measures taken in conformity with the Law .

In order to provide protection for its financial services users, in January 2007, the National Bank of Serbia set up a Financial services users' Protection center, the Center serving also for the control of the market in providing such services (with 12 employees) which, acting upon clients' complaints about the performance of financial services givers whose operations are supervised by the National Bank of Serbia (services in banking, insurance, optional pension funds and financial leasing providers) is to mediate in the settlement of disputable relations between the users and givers of financial services whenever the National Bank of Serbia is of the view that a peaceful solution of a disputable relationship is possible. Concurrently, by providing information and education, the Center is assisting the users to acquire better and fuller knowledge on financial services. In October 2005, the National Bank of Serbia set up its own Information Center which, once the Financial services users' protection Center and the Market control center of providing such services had been set up, has become a part of the Center which all the citizens can address with their questions or complaints about financial services received or about the providers of such services.

In September 2007, the implementation of the CARDS 2006 Consumer Protection Programme was launched, with the European Agency for Reconstruction funding amounting to 2 million Euros. Under this Programme, strengthening the legal framework in the consumer protection field is to come about, along with the conducting of training curricula and provision of the IT equipment, whereby an integrated market inspection IT system is it to established, seen as an initial step for installing a unique rapid warning system on hazardous consumer products (RAPEX) in Serbia.

3.28.1.2. Short term Priorities (2008-2009)

3.28.1.2.1. Legislation

A Draft law containing amendments and additions to the Law on the Protection of Consumers has been prepared. The basic idea behind this effort is to enhance harmonization with the EU legislation in this field, to promote the available provisions of the Law on the Protection of Consumers, coupled with the responsibilities taken under the EU Stabilisation and Association Agreement.

The amendments and additions to the Law on Consumer Protection are to bring about the objectives and aims established under the National Consumer Protection Programme for the period from 2007 to 2012, thus laying foundations for the setting of consumer protection advisory centers, primarily entrusted with developing a system of consumer legal protection by adjusting the Law on consumer protection to the relevant EU instructions and standards, for creating preconditions for more efficient operation of consumer organizations and for their playing an active role aimed at fuller exercising of their rights and satisfying their interests. No amendments concerning the basic concepts of the Law are foreseen in the Draft, with the idea of promoting the consumer protection system being in the focus, while introducing foundations for a more efficient and functional protection of consumer rights and interests, in favour of a superior system of consumer protection in the Republic of Serbia and for its further rapprochement to the standards prevailing in the European Union member states, towards a more complete and better protection of the weaker party (the consumer) in the market business transactions. For the first time, foundations are being laid in Serbia for consumer organizations setting up advisory centers for consumer protection (in major cities – 10 centers in Serbia), in particular directed to introducing better and direct links between the initiatives of citizens as consumers on one hand, and consumer organizations, i.e. local self-government units in a given territory on the other, thus providing for professional and expert advice and assistance, elevating the level of consumer and all other stakeholders' awareness, making them to become vital agents in pursuing an efficient and thorough consumer protection policy. Under these supplements, the status of consumer organizations is to be determined, along with the conditions and criteria they are to meet and, being specific citizens' associations, they are, first and foremost, to protect consumer interests exclusively, they must be nonprofit and nonpolitical organisations consisting of at least 50 members as physical entities, in conformity with the BEUC and EU member countries' standards.

This Draft law is adjusted to the Directive 85/577/EEU in respect of contracts negotiated away from business premises, the Directive 97/7/EU on the protection of consumers in respect of distance contracts and Directive 98/27/EC on injunctions for the protection of consumer interests.

The Draft law on general safety of products, which provides for general safety of products on the market, the criteria for evaluation of the products' adjustment to the general safety requirements, the obligations of producers and distributors, the conditions and manner of issuing information and exchange of information pertaining to the health and safety risks for the consumers and other users, along with the details on performing the supervision, was passed to the National Assembly on December 3, 2007, pending its adoption.

The fundamental reason for introducing this Law securing a high level of health and security protection for the consumers who benefit such products, and also for others who make use of such products of their necessity, while exercising their professional activities. Under this Law, marketing of safe products shall be provided for exclusively, making it impossible to produce, import and market products appearing to be other than they are, or to export them.

To a great extent, this draft Law is to take over the provisions contained in the EU Directive on universal security of products (2001/95/EU), with the EEU Directive on products appearing to be other than they are (87/357/EEU) being taken over in full.

The draft law on trade covers complete trading of goods and services, together with the behavior of all the stakeholders involved. The basic aim of this Law is to provide for a stable and well supplied market, for legal security in the trade domain, for improving the quality of goods and services on the market, for enhanced welfare and protection of consumers and for reducing grey economy.

In preparing this Draft law, the European Union regulations in the field of trade were taken into account. The law provisions are harmonised with the following directives:

1) EU Directive No 84/450, Amendments No. 95/55 on misleading and comparative advertising, 2) The EU Council Directive No. 85/374 on approximation of the laws, regulations and administrative provisions of the member states, concerning liability for defective products, 3) Directive No. 2000/13 on labelling, presentation and advertising of foodstuffs, 4) EU Directive No. 98/6 on consumer protection in labelling price tags for products available for sale, 5) EU Directive No. 97/7 on consumer protection in the domain of distance contracts.

A draft law is written on food security. The reasons behind this effort are reaching life and health protection, consumer interests protection and protection of interests of the Republic of Serbia at large in its activities in the international market. The intention is to inaugurate an integral approach to production chain and food turnover, including animal feeds, to provide a legal framework for the further approximation of regulations prevailing at present in this field to those of the European Union.

A draft strategy paper on food safety has also been prepared.

Preparations have been under way for producing a new Law on technical requirements for products and for assessing approximation to serve, among other, as a legal foundation for adopting by-laws and inserting the European technical directives within the national legislation. The solutions foreseen under the above draft law provide for a legal foundation for the transfer of the directives containing a new approach (to be mostly transferred subject to this law), and those based on the approach held to date.

There is work under way on an annual Draft programme for consumer protection, covering the period from 2007 to 2012.

The intention is also to prepare a Law on consumer credits which shall be adjusted to the new directive on consumer credits, passed by the European Council, its promulgation by the European Parliament is pending. During the short term period 2008-2009, decision on complete approximation of calculation and announcing effective interest rates for deposits and credits will be carried out („The Official Herald of the Republic of Serbia“, No. 57/2006) the consumer credit directives to be found in its section relating to the total credit cost for consumers: the Council Directive 87/102/EEC (31987L0102), the Council Directive 90/88/EEC (31990L0088) and the European Parliament and Council directive 98/7/EU (31998L0007).

3.28.1.3.2. Institutional Framework

Among the short term priorities as defined in the document on European partnership pertains to enhancing of administrative resources in the area of consumer protection. An increase in the number of employees is foreseen, along with the transformation of the consumer protection sector into a division, and a continual strengthening of administrative and technical resources, aimed at enhancing expert knowhow. Further measures are planned for the promotion of consumer protection policy and for drafting any amendments to the law and by-laws, subject to the developments on the Serbian market. In

this connection, further promotion of various cooperation forms with relevant institutions is to follow, as well as with relevant consumer protection organizations. The intention is the setting up of an institutional basis for developing consumer organisations as independent, non-profit organisations for exclusive protection of consumer interests and rights.

3.28.1.3. Medium-term Priorities (2010-2011)

3.28.1.3.1. Legislation

Implementation of the National Programme objectives in the consumer protection field in the 2007-2012 period assumes Developing a legal protection system, thus securing the rule of law and promotion of democracy and the civil society.

The notion and conditions for distance commerce, the proscribed obligations of tradesmen and rights of consumers are determined under the provisions of the Draft law on Commerce. The harmonisation of the legislation with the European Parliament and Council Directive 2002/65/EU on distance trading with financial services for consumers (32002L0065) will depend on the liberalisation level achieved in the capital movement area, to be exercised in compliance with the regulations contained in the Stabilisation and Association Agreement. It will also depend on technical conditions available, first of all on the safety systems for realization of distance contracts.

3.28.1.3.2 Institutional Framework

Creation of institutional prerequisites for establishing a uniform system for the consumer rights protection at all the levels, along with the strengthening institutional cooperation between the bodies and organizations within the consumer protection system encompasses the following activities:

- integrating different institutions and agents – holders of consumer protection, for creating the conditions for: product safety, food in particular, for public infrastructure services of a higher quality, for financial services, tourism and trade, health care, education, environmental protection, etc;
- developing an information system and a respective network for obtaining information on consumer rights violations in various fields, in particular the the fields mentioned above;
 - training the personnel of all inspection services and of other agencies responsible for consumer protection at all the levels, towards an efficient implementation of the Law on consumer protection in conformity with the EU standards (education, employment of qualified personnel, technical equipment);
 - promoting and strengthening of independent, nonprofit, nonparty and specific consumer organisations (form the national to the local level), formation and development of specialised consumer protection organisations;
 - further enhancing of administrative and technical resources of the consumer protection department within the competent ministry;
 - setting up of appropriate bodies at the level of various ministries in individual fields, aimed at a more efficient consumer protection;
 - introducing of varied forms of cooperation with corresponding international organisations and institutions (regional cooperation, in particular with neighbouring countries, cooperation with the EU member countries and with respective EU bodies competent in the consumer protection field).

In conformity with the Ordinance on establishing the National consumer protection programme for 2007-2012 („Official Herald of the Republic of Serbia“, No. 11/2007), and the National consumer Protection programme 2007-2012, which is a component part of this Ordinance, the setting up of a Committee for fixing interest rates is to follow.

The human resources of the Ministry of Trade and Services will be enhanced in the following way:

Name of the institution	State whether the institution is in existence or planned	Current no. of employees	2008	2009	2010	2011	2012
Ministry of Trade and Services	In existence	5	3	2	2	2	1
Total		5	8	10	12	14	15

Foreign Assistance

It is expected that the funding within the framework of the EU advance assistance ((IPA) for 2008 will be approved for the promotion and further education of the citizens of Serbia in the domains of financial services, on enhanced transparency of terms and conditions for benefiting the financial services and on the approximation to the EU legislation in the financial services users' protection. In the 2008-2009 period, technical assistance by the European Central Bank (ECB) is scheduled in assessing the necessities of the National Bank of Serbia and for evaluating its business operations compared with the European system of central banks in the field of financial services users' protection. The ECB technical assistance is expected to be financed within the EU CARDS programme funds. Financial assistance from the IPA 2009 fund is also expected, its beneficiary being the Ministry of Trade and Services, supposed to use the funds for the further strengthening of its potentials and for establishing an information system in the consumer protection field.

3.28.2. Health Care

3.28.2.1. Background

3.28.2.1.1. Institutional Framework

The process of harmonizing the legislation of the Republic of Serbia in the field of public health was started with the approximation of Serbia's regulations to the EU laws, serving as a step on the way towards complete harmonization of the regulations with those of the EU.

In compliance with the resolution on Association to the European Union, adopted by the National Assembly on October 13, 2004, and the National Strategy of Serbia for the European Union accession, we have the obligation to approximate the national legislation to the EU legislation.

The Public Health Field

This field is regulated under the Law on Health Care (The „Official Herald of the Republic of Serbia“, No. 107/2005), whereby the system of health care, the organization of health service, the social care for the health of the population, general concern in the health care, rights and obligations of the patients, health care for foreign nationals, the setting up of an Agency for accreditation of health institutions of Serbia and supervision of enforcement of this law are regulated. The health care, under this Law, encompasses the implementation of the measures for the preservation and promotion of the health of the population, for the prevention, control and early detection of diseases, injuries and other health disorders and for the timely and efficient medical treatment and rehabilitation.

The above domain is also regulated under the Law on Health Insurance („The Official Herald of the Republic of Serbia“, Nos. 107/2005, 109/2005), whereby rights are established to compulsory health insurance of employees and other citizens covered by compulsory health insurance, organizations and

Health protection against noxious consequences of smoking is regulated, inter alia, under the Law on Tobacco.

In compliance with the Law on Tobacco („The Official Herald of the Republic of Serbia“, Nos. 101/2005, 63/2006, 10/2007, 67/2007, 90/2007), conditions are prescribed for the production, classification and trading with tobacco products and for keeping of books, records and other relevant lists; types of data are established on the structure and labelling, on the financing of compulsory health insurance, optional health insurance and other questions of substance for the health insurance system of tobacco products.

Subject to this Law, a Tobacco Administration is established, entrusted with supervision of the enforcement of this Law.

This Law is to be harmonised with the EU regulations.

Four laws and two by-laws deal substantially or contain provisions of importance for tobacco control:

- Law on the banning of smoking in enclosed places („The Official Herald of the Republic of Serbia“, No. 16/95 and 101/05);
- Law on Advertising („The Official Herald of the Republic of Serbia, No. 79/05);
- Law on Tobacco („Official Herald of the Republic of Serbia“, No. 101/05);
- Law on Excise („Official Herald of the Republic of Serbia“, Nos. 42/01, 61/01, 73/01, 5/02, 24/02, 45/02, 69/02, 80/02, 15/03, 43/03, 56/03, 72/03, 93/03, 2/04, 43/04, 55/04, 78/04, 135/04, 8/05, 46/05, 47/05, 58/05, 71/05, 101/05, 112/05, 3/06, 11/06, 61/06 and 66/06);
- The Rules on the form, contents and putting forward the inscription on the ban of selling cigarettes and other tobacco products to minors („Official Herald of the Republic of Serbia“, No. 15/06.

- The Republic of Serbia has taken some steps aimed at an efficient control of production and turnover of tobacco and tobacco products by setting up an Agency for Tobacco in 2003, now known as the Tobacco Administration, a section of the Ministry of Finance.

3.28.2.1.2. The Institutional Framework

The Ministry of Health has the responsibility to devise a health care system and propose regulations in the health care field. In conformity with Article 21 of the Law on Ministries („Official Herald of the Republic of Serbia“, No. 48/2007), the Ministry of Health deals with administration matters relevant, among other things, to the following: keeping and promoting the health of the citizens and monitoring of health condition and health necessities of the population, the health care organization, the health and hygiene supervision in the domain of protection of the population against contagious and non-contagious diseases, health adequacy of foodstuffs and articles for general use in production and commerce, control of sanitary-hygiene conditions of the facilities which are under hygienic supervision and of public transportation vehicles; sanitary supervision of persons under legal health control, and control of installations, devices and equipment used for hygiene supervision.

The key institutions in the public health area are the following:

- the Ministry of Health – entrusted with creating drafts and implementing the laws and ordinances, programmes, etc;
- Hygiene supervision and sanitary inspection;
- Health inspection
- Institute for Public Health of Serbia
- Institute for Transfusion – competent in ensuring blood safety and quality standards, safe collection, testing, processing, keeping and distribution of blood
- Hospitals, general hospitals – prevention units and treating drug abuse
- Centers for mental health care
- Currently, the Ministry is employing 346 persons (247 with university degree, 84 with college degree, 15 with high school degree), it is planning the recruitment of 96 persons by the end of 2008. The Republican Institute for Health Insurance employs 2007 workers for an indefinite period (717 with university degree, 363 with college degree, 4 with fifth degree vocational school, 939 with a high school degree, 23 with the third level degree and 62 elementary school graduates), it has plans to recruit additional 666 persons (345 with a university degree, 35 college graduates, 42 fifth degree vocational school, 227 high vocational school, 35 college degree, 17 elementary school graduates). In total, there are 330 state health establishments as envisaged under the Ordinance on the Scheme of the health establishments network. According to the 2006 statistical data, the state health institutions are employing a total of 108 975 workers. Of this number, 81 661 are health professionals (19688 doctors of medicine, 2463 stomatologists, 1877 pharmacists, 1458 college graduate assistants, 6669 college graduates, 48976 high vocational schools, 531 lower vocational schools), 27314 administrative and technical personnel. In 2008, a public competition has been launched by the Ministry of Health for the recruitment of 1000 health professionals (300 doctors and 700 nurses), with another public competition planned for the end of this year for admittance of 1000 health professionals in the state health institutions. Increasing the number of personnel at the Ministry of Health, the Republican Institute for Health Insurance and in state health institutions will entail an improvement in the implementation of laws in the field of health insurance and health care, while providing superior health services in the Republic of Serbia.

3.28.2.2. Short-term priorities (2008-2009)

1. The drafting of the **Draft law on taking and transplanting parts of human body for treating purposes** is underway. The draft law means establishing ways, procedures and terms for taking and transplanting organs, tissues and cells as well as parts of human body. The law will be harmonized with EU Directives:

- 32004L0023 Directive 2004/23/EC of the European Parliament and of the Council on laying down standards of quality and safety for the donation, procurement, testing, processing, preservation, storage and distribution of human tissues and cells;
- Directive 2006/17/EC for implementation of Directive of the European Parliament and of the Council on certain technical requirements for the donation, procurement and testing of human tissues and cells;
- Directive 2006/86/EC of the European Parliament and of the Council as regards traceability requirements, notification of serious adverse reactions and events and certain technical requirements for the coding, processing, preservation, storage and distribution of human tissues and cells.

This draft law is expected to enter parliamentary procedure by the end of the year. During the drafting of this regulations, its provisions will be harmonized with the acts of the European Union regulating this field.

2. The creating of the **Draft law on public health** is underway. A law on public health regulating primary functions of public health, organization, personnel and quality assessment in this area is being passed for the first time.

November 2008.

3. By the end of 2008 the government of the Republic of Serbia should adopt the **Development strategy for the prevention of abuse psychoactive substances (drugs)** in the Republic of Serbia.

The Strategy defines activities directed to reduction of accessibility of psychoactive substances, as well as prevention and promotion of condition for treatment and social integration of addictive patients.

This is fully harmonized with *acquis communautaire*.

4. The draft of the **Development strategy for providing adequate quantities of safe blood and blood products in the Republic of Serbia** is in the making and should be adopted by the government in the fourth quarter of the current year.

Recommendations of the World Health Organization, as well as Directive 2002/98/EC of the European Parliament and of the Council of Europe on setting standards of quality and safety for the collection, testing, processing, storage and distribution of human blood and blood components and amending Directive 2001/83/EC as well as Recommendations of the Council of Europe No. R (88) 4 and No. R (95) 15 which include technical guidelines on the preparation, use and quality assurance of blood components, and clearly point to the necessity of forming and improving well-organized services for blood transfusion with recognizable quality standards. 32005L0061;32004L0033.

This is partially harmonized with *acquis communautaire*.

5. The draft of the **Strategy on public health** – regulates more closely public health issues which refer to organization and functioning of this system.

The government of the Republic of Serbia is expected to adopt this strategy in October 2008.

This is fully harmonized with *acquis communautaire*.

6. The draft **Strategy on control and prevention of mass and chronic non-contagious diseases** which defines general and specific goals, as well as measures and activities in the field of prevention and control of mass and chronic non-contagious diseases, particularly cardiovascular, malignant, HBO, diabetes and muscular and bone diseases.
The government of the Republic of Serbia is expected to verify the strategy in November 2008.
This is fully harmonized with *acquis communautaire*.
7. The Decree on the prevention of malignant tumors of colon
The National programme of organized screening, education of personnel and introduction of good practice guidelines is being created in cooperation with the Serbian expert commission in charge of this area.

The Decree is expected to be verified in September 2008.
This is partially harmonized with *acquis communautaire*.
8. **The Decree on the prevention of malignant breast tumors** includes the creation of a national programme, organization of screening, promotion of good practice guidelines, in cooperation with the Serbian expert commission in charge of this area, which should be in harmony with the World Health Organization's resolution 58.22 on cancer prevention and control which was adopted by the World Health Assembly in 2005 as well as with recommendations on screening.
9. **The Decree on the prevention of malignant tumors of malignant cervical cancer.** Also in the creation is the national programme, screening, education of staff, and promotion of good practice guidelines in cooperation with the Serbian commission in charge of this area. The decree will be verified by a body appointed by the government of the Republic of Serbia in the fourth quarter of the current year.
This is partially harmonized with *acquis communautaire*.
10. **The Decree on oncology health protection** is being prepared. Activities are ongoing on creating the national programme, promotion of citizens' health and quality of oncology health protection, promotion of good practice guidelines and organization of screening, in cooperation with the Serbian expert commission for oncology.
The government of the Republic of Serbia is to decide on this decree in October 2008.
This is partially harmonized with *acquis communautaire*.
11. **The Decree on preventive dental protection** is being created in cooperation with the Serbian expert commission in charge of dentistry, whose aim is to improve preventive dental examinations with children and pregnant women.
The Decree is expected to be adopted by the government of the Republic of Serbia in the fourth quarter of 2008.
12. **The Decree on health protection of children and women in relation to maternity** is being prepared as well. It will include promotion of organization of health care of children and women.
October 2008.
This is fully harmonized with *acquis communautaire*.
13. **The Decree on preventive health care of children with psychophysical disturbances and speech and language pathology** is being prepared. It envisions a screening test of speech skills and creating a registry of children with disturbances in development.
Verification of the Decree is planned for October 2008.
This is fully harmonized with *acquis communautaire*.

14. The Decree on the prevention of diabetes 2 on the primary level of health care in the Republic of Serbia is being prepared. Screening the high risk of diabetes 2. Preparation of the decree is in the final phase and verification by the government of the Republic of Serbia is expected in the third quarter of the current year.

This is not fully harmonized with *acquis communautaire*.

3.28.2.3. Medium-term priorities (period 2010-2011)

3.28.2.3.1. Legal framework

In the period from 2010 to 2011, further harmonization of regulations on public health with EU regulations will continue, especially in terms of requirements related to requests of protecting health of the population.

3.28.2.3.2. Institutional framework

Promoting and strengthening institutional capacities is planned through further attendance in professional seminars and training of employees as well as foreign language courses.

Administrative capacities need to be strengthened, which includes employment of new staff, changes of the organizational structure, education and professional training, technical backup (facilities, equipment, IT equipment).

Also, mechanism for implementation of supervision of public health protection need to be strengthened. With a view of strengthening capacities of public health, it is necessary to form a national cancer centre which would enable universal recording, manner of monitoring the malignant diseases and giving recommendations for implementation of preventive measures.

Considering that the staff plan, which gives an overview of the number of employees and needs, is passed on an annual level (in the previous year for the next year), the Ministry of Health disposes with the data on employment of new persons for the period 2009-2012.

Non-ionized radiation

1. Situation

1.1 Legal framework

The work on preparation of regulations in the field of protection from non-ionizing radiation started as early as ten years ago. During 2007, the Ministry of Environmental Protection prepared a new bill on protection from non-ionizing radiation. The bill is currently in parliamentary procedure.

The main reason for adoption of a new law is the need to harmonise it with European Union directives in this field, because the situation in the field of protection from non-ionizing radiation in Serbia is not satisfactory and is aggravating constantly. Currently the sources of non-ionizing radiation in the environment are largely used without any control. A special problem is the accelerated development of mobile telephony. There are no measures for the protection of public health and the environment from harmful effects of non-ionizing radiation during the use of the sources of such radiation. There is no database on the type, characteristics and the number of sources of non-ionizing radiation that are used in the living and working environment. The adoption of this law would prevent uncontrolled import of

sources of non-ionizing radiation that can harm human health, and whose use is not allowed in other countries since they have already passed regulations that protect them from non-ionizing radiation.

According to available data from the countries of the European Union and EFTA (European Free Trade Agreement), the current regulations on protection from non-ionizing radiation are highly fragmented. According to a relatively recent study of CENELEC (European Committee for Electrotechnical Standardization) made for the needs of the European Commission, there are over 130 laws, rule books, standards and recommendations on protection from radio frequency radiation, made by some member states. Intensive epidemiological researches – studies on long-term, delayed, stochastic effects of exposure to non-ionizing radiation, aim to review the limits, norms of exposure and standards which will be significantly sharpened (conclusions of the World Congress in Seville in 2004). The limits of the existing standards of CENELEC and ICNIRP are unacceptably high. In the meantime, one should have a “cautious approach” when it comes to exposure to non-ionizing radiation.

The European Union also adopted several directives on protection from non-ionizing radiation. The recommendation of the Council of Europe passed on July 12, 1999, no. 1999/519/ES is very important, both for the law and for by-laws because it determines the limits of exposure to EM fields.

The only existing legal act in this field that must be implemented is standard 205, which regulates marginal values of electromagnetic field in the environment in the radio frequency area, while the recommendations of the World Health Organisation (WHO) are used for other areas (e.g. 50 Hz industrial frequency). The WHO fully recommends norms of the International Commission on Non-Ionizing Radiation Protection (ICNIRP).

1.2 Institutional framework

In line with Article 17 of the Law on ministries (Official Gazette of the Republic of Serbia, no. 43/2007), the Ministry of Environmental Protection performs tasks of the public administration which, among other things, include protection from non-ionizing radiation.

At this moment, one employee is in charge of this matter, which is too little in comparison to the work volume.

2. Short-term priorities (2008-2009)

2.1 Legislation

After the new law is adopted, a special Office for protection from non-ionizing radiation will be formed, although, in view of the volume of tasks, it would be much more realistic to set up a Department for protection from non-ionizing radiation. According to the EMF project made by the WHO, Serbia is at the very bottom among European countries in the importance it gives to this area.

After the law is adopted, the idea is to pass two rule books with which this area would be regulated in a way most of other countries do it.

3. Middle-term priorities (period 2010-2011)

3.1 Legislation

3.2 Institutions

The Ministry of Environmental Protection will boost its capacities for implementation of measures of protection from non-ionizing radiation.

The field of protection from non-ionizing radiation is very important, since it is regulated for the first time by regulations which are in line with European and world norms. There is a very great need to increase the number of employees who are competent for this subject area.

Table 1.

Needs of state institutions for employment

Name of institution	Whether institution existing or planned	the is or	Current number of employees	Planned (total) number of employees (by years)				
				2008	2009 ⁹⁷	2010	2011	2012
Ministry of Environmental Protection	Existing		1	2	3	4	4	4
Total			1	2	3	4	4	4

Note: State the total number of employees by year, not the change

Financial needs

Table 2A.⁹⁸ Needs of the Ministry of Environmental Protection

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities/ ⁹⁹					
Building institutions (rooms, people, equipment...)					
Infrastructure ¹⁰⁰					

Note:

Give the amount in EUR for each year separately.

For foreign assistance, state which foreign assistance is in question.

⁹⁸ Table 2A shows the total of funds stated in table 2B and table 2V

⁹⁹ Additional expenses incurred in implementation of regulations are not direct expenses of the administration, e.g., social help, assistance to organizations for consumer protection, assistance to non-governmental organizations, etc.

¹⁰⁰ Building facilities in the areas where it is possible to state that: roads, airports, railway, infrastructure works, Schengen border, etc.

Table 2B. Budget Ministry of Environmental Protection – domestic source

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities					
Creating data bases on sources of non-ionized radiation	500,000.00 dinars *				
Capacity building of inspector in implementation of measures of protection from non-ionized radiation	500,000.00 dinars *				
Education of authorised bodies of the local administration	500,000.00 dinars *				
Systemic research of non-ionized radiation in environment in the Republic of Serbia	1,000,000.00 dinars *				
Construction of institutions (rooms, people, equipment...)					
Infrastructure					

Execution of the listed projects is planned within next 2 years.

Table 2V. Budget Ministry of Environmental Protection (technical assistance, IPA/bilateral)

	in 2008	u 2009	in 2010	in 2011	in 2012
Activities (policy)					
Construction of institutions (rooms,					

people, equipment...)					
Infrastructure					

3.29. CUSTOMS UNION

3.29.1 STATE OF PLAY

3.29.1.1 Legal Framework

The process of harmonisation of the legislation of the Republic of Serbia in the area of customs regulations began in 2003 with the adoption of the Law on Customs (“Official Gazette of RS” No 73/03, 61/05, 85/05 – diff. law and 62/06 – diff. law). High degree of harmonisation of the Law on Customs with the Customs Code of the EC is one of the steps toward the full harmonisation of regulations in the area of customs system with EC regulations. In accordance with the Resolution on the EU Association adopted by the National Parliament on October 13, 2004 and the Serbian National Strategy for the Association to the European Union, we have undertaken the obligation to harmonize the national legislation with EU regulations. The process of harmonisation with EU regulations and WTO rules continues with the adoption of the Customs Tariff Law (“Official Gazette of RS” 61/05 and 62/07) and the Law on Free Zones (“Official Gazette of RS” 62/06).

A) Achievements in 2005

The Law on Modifications and Amendments to the Law on Customs (“Official Gazette of RS” 61/05) contained the modifications and amendments related to: conditions for issuance of permits for customs agents, duty/tax free shops at international airports, customs privileges for disabled persons with regard to import of passenger vehicles, and domestic citizens–returnees from abroad with regard to import of household objects. The second modification of this Law was made to harmonize it with the Criminal Code (“Official Gazette of RS” 85/05), while the third was made to harmonize it with the law on salaries of state officials and employees (“Official Gazette of RS” 62/06).

The adoption of the Customs Tariff Law (“Official Gazette of RS” 61/05) also represents a significant step towards convergence of the legislation in this area and EU regulations. The provision on the harmonisation of the Customs Tariff nomenclature with the Combined Nomenclature of the EU, included in the Stabilisation and Association Agreement, as well as in the CEFTA agreement, regulates the correct fulfilment of obligations undertaken by all countries-signatories to the Agreement. The reason for adoption is, most of all, the inclusion of nomenclature changes in the Harmonized System of Customs Codes of the World Customs Organisation (HS 2000/2002) and harmonisation with the Combined Tariff of the European Union 2005. The second reason is the harmonisation of tariff rates with regard to the modification of the Action Plan of Harmonisation of the Economic Systems of Member States of the State Union of Serbia and Montenegro for the Purpose of Preventing and Removing Obstacles to Free Movement of People, Goods, Services and Capital (“Official Gazette of RS” 67/2003 and 81/2003) and the implementation of the “two-track approach”. The correction of tariff rates was done:

- to protect domestic manufacturers and industries oriented towards export
- to bring tariff rates back to their level before the harmonisation for raw materials and semi-finished products not manufactured in the country, and
- to regulate tariff rates in accordance with the changes in the nomenclature.

On the basis of the aforementioned, the following regulations were adopted in 2005:

1. Regulation on special conditions for trade in goods with the Autonomous Province of Kosovo (“Official Gazette of RS” 8/05) dealing with the procedure of proving the origin of goods.
2. Regulation on special conditions for trade in goods with the Autonomous Province of Kosovo and Metohija (“Official Gazette of RS” 15/05) specifying which goods that are the subject of free trade at the territory of the Republic of Serbia outside the APKM are not considered dutiable goods, and stipulating the obligation to declare goods of foreign origin to a relevant customs office at international border crossings Presevo and Prohor Pcinjski.
3. Regulation on amendments to the Regulation on allowed customs procedures for dutiable goods, approval of dutiable goods and collection of customs duties (“Official Gazette of RS” 44/05), dealing with certificates of the origin of goods for textile and textile products and exemption from import duties for temporarily imported equipment for the needs of foreign representative offices in Serbia.
4. Regulation on amendments to the Regulation on allowed customs procedures for dutiable goods, approval of dutiable goods and collection of customs duties (“Official Gazette of RS” 71/05) which regulates the establishment and management of customs warehouses.
5. Regulation on amendments to the Regulation on allowed customs procedures for dutiable goods, approval of dutiable goods and collection of customs duties (“Official Gazette of RS” 76/05) which regulates the sale of goods in duty free shops on the basis of a boarding ticket.
6. Regulation on amendments to the Regulation on allowed customs procedures for dutiable goods, approval of dutiable goods and collection of customs duties (“Official Gazette of RS” 106/05) regulating the certificates of direct shipment which may be issued by customs offices at the request of declarers after the completion of transit, and provisions that must be included in a contract on consignment sale.

B) Achievements in 2006

The Law on Free Zones (“Official Gazette of RS” 62/06) was adopted at the session of the National Parliament of the Republic of Serbia held on July 19, 2006. The Law on Free Zones introduces in the projection of the country’s economy free zones as an instrument intended to attract direct foreign investments and increase the rate of employment. Economical feasibility of the establishment of free zones is reflected in the fact that they contribute to development of undeveloped or underdeveloped regions. At the level of the European Union this matter is not regulated and therefore member states have regulated this subject with their national laws.

In the area of assistance and cooperation in customs issues, two laws were adopted in this year:

3. The Law on Ratification of the Agreement Between the Government of the Republic of Serbia and the Government of the Republic of Croatia on Mutual Assistance in Customs Matters (“Official Gazette of RS” 34/06). The Agreement entered into force on October 1, 2006.
4. The Law on Ratification of the Agreement Between the Government of Montenegro and the Government of the Republic of Serbia and the Government of the Islamic Republic of Iran on Mutual Assistance and Cooperation in Customs Matters (“Official Gazette of RS” 34/06). The Agreement has not entered into force because it has not been ratified by Iran.

Also, the Government of the Republic of Serbia has adopted the following regulations:

11. Regulation on amendments to the Regulation on allowed customs procedures for dutiable goods, approval of dutiable goods and collection of customs duties (“Official Gazette of RS” 05/06) which stipulates that disabled persons are required to deliver to a customs office the certificate of degree of disability issued by the Ministry of Labour and Social Policy if they wish to use customs privileges.

12. Regulation on amendments to the Regulation on allowed customs procedures for dutiable goods, approval of dutiable goods and collection of customs duties (“Official Gazette of RS” 47/06) which regulates the maximum amount exempted from import duties for persons bringing objects from abroad or receiving deliveries from abroad.
13. Regulation on amendments to the Regulation on allowed customs procedures for dutiable goods, approval of dutiable goods and collection of customs duties (“Official Gazette of RS” 86/06) dealing with the origin of goods, procedures of customs monitoring and control in free zones, as well as the limitation of the value of a passenger vehicle imported by disabled persons exempted from import duties.
14. Regulation on precise criteria for the assessment of economic feasibility of determination of a free zone area (“Official Gazette of RS” 69/06) which defines precise criteria for the assessment of economic feasibility of determination of a free zone area.
15. Regulation on the schedule of the process of active value adding (“Official Gazette of RS” 63/06) which specifies scheduling depending on the complexity of the process of active value adding.

C) Achievements in 2007

The Law on Amendments to the Customs Tariff Law (“Official Gazette of RS” 61/07) was adopted at the session of the National Parliament of the Republic of Serbia held on June 6, 2007, entering into force on July 8, 2008. There are several main reasons for adoption of this law: expansion of Government’s authorization to harmonize the Customs Tariff; harmonisation of provisions of the law with the legislation of the European Community; definition of the status of Classification Decisions taken by the Harmonized System Committee of the World Customs Organisation and the European Commission; and the modification of the tariff rate for cigarettes.

In the area of assistance and cooperation in customs matters, two laws were adopted in this year:

- 1) The Law on Ratification of the Agreement Between the Government of the Republic of Serbia and the Government of the Republic of Poland on Mutual Assistance and Cooperation in Customs Matters (“Official Gazette of RS” 102/07). This is the improved Agreement Between the Government of the Socialist Federal Republic of Yugoslavia and the Government of the People’s Republic of Poland on Mutual Assistance and Cooperation in Customs Matters (“Official Gazette of SFRY – International Agreements” 13/67). It was ratified in our county on November 5, 2007. It has not entered into force since it has not been ratified by the Republic of Poland and therefore the old agreement of 1967 is still in effect.
- 2) The Law on Ratification of the Agreement Between the Government of the Republic of Serbia and the Government of the Republic of Slovenia on Mutual Assistance and Cooperation in Customs Matters (“Official Gazette of RS” 102/07). It was signed on June 1, 2007 and ratified in our country on November 5, 2007. It has not entered into force since it has not yet been ratified by the Republic of Slovenia.

In 2007, the Government of the Republic of Serbia has adopted the following regulations:

7. Regulation on amendments to the Regulation on allowed customs procedures for dutiable goods, approval of dutiable goods and collection of customs duties (“Official Gazette of RS” 10/07) specifying that aside from air companies, legal persons may perform repair and maintenance of aircraft and their parts.
8. Regulation on amendments to the Regulation on allowed customs procedures for dutiable goods, approval of dutiable goods and collection of customs duties (“Official Gazette of RS” 25/07), relating to specimens and advertising material delivered for free with magazines and similar.

9. Regulation on amendments to the Regulation on allowed customs procedures for dutiable goods, approval of dutiable goods and collection of customs duties (“Official Gazette of RS” 80/07) dealing with supplies to ships, yachts and boats.
10. Regulation on the repeal of the Regulation on the processing of goods traded with the Republic of Montenegro (“Official Gazette of RS” 104/07) which regulates the repeal of the Regulation on the processing of goods traded with the Republic of Montenegro.
11. Regulation on special conditions for transit of certain oil derivatives (“Official Gazette of RS” 110/07) which specifies conditions for transit of certain oil derivatives over the territory of the Republic of Serbia.
12. Regulation on the harmonisation of the Customs Tariff nomenclature for 2008 (“Official Gazette of RS” 112/07 with correction in 9/08), which has achieved full harmonisation with the nomenclature of the Combined Tariff of the EU for 2008 (CN2008), was published in the “Official Journal of the European Union” L 286/2007 on October 30, 2007 and the Harmonized System of Customs Codes of the World Customs Organisation HS2007. The regulation took effect on January 1, 2008.

D) Achievements in 2008

A proposal of the new Law on Customs has been prepared, since the current law is not fully harmonized with *acquis communautaire*. New Law on Customs, whose proposal will be forwarded for review to relevant ministries until the end of the first quarter of 2008, is fully harmonized with the EC Law on Customs.

3.29.1.2 Institutional Framework

The system of customs is within the competence of the Ministry of Finance – Customs System and Policy Sector (legislative role) and the Customs Administration (executive, operational role).

The Customs System and Policy Sector is authorized to propose regulations in the area of customs system and policy and their interpretation. In accordance with the Article 6 of the Law on Ministries (“Official Gazette of RS” 48/07), the Ministry of Finance is responsible for, among other things, state administration duties related to the customs system, tariff rate, measures of non-tariff protection and free zones. Within the Ministry, these matters are in the competence of the Customs System and Policy Sector, which is comprised of 2 (two) departments (Department for the Customs System and the Department of Customs Policy). The Sector was established in 2003 and currently has one appointed individual, the assistant minister, and 14 state officials (2 senior advisers, 2 expert consultants and 10 consultants) and 1 employee. All employed state officials have higher education.

In accordance with the Article 37 of the Law on Free Zones, duties within the competence of the Directorate will be performed by the Ministry of Finance, i.e. the Customs System and Policy Sector, until the Directorate of Free Zones is established.

The Customs Administration, as an executive body within the Ministry of Finance, performs state administrative duties and expert activities related to: collection of customs duties, customs monitoring and other activities as specified by the law. According to the data on the total number of workers on December 31, 2007, there were 2448 employees in the Customs Administration: 719 with university education, 546 with higher education, 1111 with high school education and 72 employees with other kinds of education.

Previous Training

Customs System and Policy Sector

Most of the state officials in the Customs System and Policy Sector have attended Twinning and specialized trainings related to fundamental policies of the EU, implementation and harmonisation of domestic regulations with the EU regulations, the Stabilisation and Association Agreement, preparation for negotiations and technique of negotiations, organized by the Office of European Integration. Two state officials have successfully passed all exams at specialized studies related to training for European integration activities at the Faculty of Political Sciences. Also, seven officials have attended advanced courses of English and completed them successfully. At the moment, two state officials attend a beginning course in French.

Customs Administration

In the period 2002-2008, CAFAO has assisted the Customs Administration of Serbia in the process of modernization of customs service, while CAFAO experts have participated in the preparation of the new Law on Customs and sublegal acts, in the establishment and development of the Sector for Control of Application of Customs Regulations, as well as the development of internal control and auditing in the customs service.

Owing to the assistance given by CAFAO, a regional system for electronic monitoring of trade in goods via Danube is currently operational and active in Serbian, Croatian and Hungarian customs services, the so-called Danube River Early Warning System (DREWS).

Activities of CAFAO were also geared towards development of human resources management in the customs service.

Thanks to CAFAO's efforts, the Government of Great Britain has set aside 600.000 euros as a donation for reconstruction and modernization of the Operational Center of the Customs Administration, and for the implementation of the project "Customs Open Line" which allows citizens of Serbia to contact officials in the Customs Administration in a safe, confident and reliable manner, and receive information about customs violations and other irregularities. This communication is performed via a publicly announced phone number, toll-free for citizens (if the call is initiated from a mobile number). Each received information is verified.

CAFAO has assisted in the introduction of an e-learning system of the World Customs Organisation in the schooling system of the Customs Administration, which was funded by pre-accession funds of the EU – IPA 2007, in the amount of 11,000 euros. Financial support by CARDS 2005 funds in the amount of 160,000 euros has been secured and will be used for the renovation of the Center for Professional Training of the Customs Administration, planned for second half of 2008.

Reconstruction of most important border crossings located on the Corridor X (Horgos, Batrovci and Presevo) has been partly financed by EU funds.

In the form of bilateral international assistance, the Government of Slovakia has financed the project "Cooperation Without Limits" in the amount of 96,000 euros. The project was implemented in the period between 2005 and 2007. In the project, representatives of the Customs Administration have participated in study visits to Slovakian customs service with the aim to learn their experience in the following areas: customs laboratories, the origin of goods, TARIC (The Integrated Tariff of the European Communities) and information technologies. Also, the project's funds were used to donate IT equipment to the Customs Administration.

Technical assistance of the French customs service was realized in a form of a series of seminars for the officials of the Customs Administration in the areas of: subsequent controls, organisation and analysis methods of customs laboratories, and protection of intellectual property rights. The French customs service has financed scholarships for employees of the Customs Administration entailing training in the French national customs school.

Within the project “Export Controls and Border Security” (EXBS), funded by the Government of the USA, study visits, seminars, training courses and participation in international conferences for the Customs Administration officials have been organized since 2005, with the value of 245,000 USD. Equipment worth 640,000 USD was donated.

In the period 2002-2007, World Bank’s loan of 2,320,000 was raised to implement the project of Trade and Transport Facilitation in Southeast Europe (TTDSE). The project was aimed at lowering non-tariff costs of trade and traffic at borders, and at the reduction of smuggling and corruption at border crossings.

As a part of cooperation with the World Customs Organisation (WCO), the Customs Administration has been participating since 2006 in the Columbus Program for capacity building, with the aim to implement the Framework of Standards to Secure and Facilitate Trade. Cooperating in the Columbus Program, the Customs Administration has prepared an Action Plan for Realization of Recommendations of the Diagnostic Mission of the WCO for Implementation of the Framework of Standards, whose realization is ongoing.

3.29.2 SHORT-TERM PRIORITIES (2008-2009)

3.29.2.1 Legislation

Further harmonisation of regulations in the area of customs with the EU regulations and WTO rules will continue in the period 2008-2009 and the adoption of the following related laws and bylaws is planned:

1. Law on Customs. – New Law on Customs will be harmonized with the EU regulations and WTO rules, above all with regard to the implementation of the Agreement on Customs Valuation of Goods and special customs procedures.
2. Customs Tariff Law. – New Customs Tariff Law, i.e. the Customs Tariff which is printed and attached to this law and constitutes its integral part, will be harmonized in the area related to tariff rates included in the lists of liberalized rates for agricultural and industrial products, which are a part of negotiations for membership in the WTO.
3. Regulation on harmonisation of the Customs Tariff with the Combined Nomenclature of the EU. – In accordance with the Customs Tariff Law and EC practice, the Regulation will be adopted at the end of each year in accordance with changes in the nomenclature of the EU.
4. Regulation on allowed customs procedures for dutiable goods, approval of dutiable goods and collection of customs duties. – In accordance with the new Law on Customs and with the aim to achieve full harmonization with the Regulation on Implementation of the Law on Customs, it is planned to adopt a completely new Regulation in this period.

Since further liberalisation of trade and opening of the economy toward the global market is expected to occur in this period, it will result in a gradual decrease of protective tariff measures in the area of customs policy.

Liberalisation of tariff protection with regard to import of manufactured goods from the European Union (chapters 25-97 of the Customs Tariff) and agricultural products (chapters 1-24 of the Customs Tariff) will be implemented in phases, in accordance with the schedule that has been agreed on during the negotiations on conclusion of the Stabilisation and Association Agreement between the EU and Serbia.

Entry of Serbia into the WTO entails stable, open and non-discriminatory access of domestic goods and services to the market of WTO members. Protection of domestic economy will be limited, but still allowed in the form of compensatory measures, anti-dumping tariffs as well as certain non-tariff

measures. In the short term, the cost of joining WTO will exceed gains. Commercial entities will be faced with increased foreign competition because of lowering of customs duties. On the other side, consumers will have a choice of imported goods of better quality and lower prices. Also, the liberalisation of import will result in lower input prices for manufacturers, which will in the medium term lead to increase in competitiveness and profitability.

The implementation of the Central European Free Trade Agreement (CEFTA) will result in further lowering of customs tariffs and their complete abolition in accordance with the agreed schedule.

Other taxes and duties like special duties for import of agricultural products and seasonal tariffs will be gradually abolished by turning them into their customs equivalent (equivalent tariffication), which is in accordance with the rules of WTO and EU requirements.

At the same time, customs policy measures will provide optimal protection of domestic production with the aim to further increase competitiveness, while customs alleviations will attract foreign investments, which is in accordance with the country's policy of development. In accordance with the aforementioned, one of the most important short-term measures of the customs policy is the approval of tariff quotas for import of certain goods with tariff rates lower than the rates specified in the Custom Tariff Law, provided certain conditions are met. They are also approved for goods which are not manufactured in the country or are manufactured in insufficient amounts and represent an important input for domestic production.

All this steps will lead to a decrease in total state revenues because of the lower customs revenues in the aforementioned period.

3.29.2.2 Institutional Framework:

Customs System and Policy Sector

Strengthening and improvement of institutional capacities in the Customs System and Policy Sector will be achieved with further attendance of professional seminars, study visits, advanced courses of foreign languages, as well as courses in computer literacy. Also, successful work requires replacement of the existing obsolete equipment and acquisition of lacking computer equipment.

In accordance with the Ministry of Finance's new classification and Human Resources Plan for 2008, it is planned to increase the number of employed state officials in the Customs System and Policy Sector to 18 in 2008.

Customs Administration

TASTA (technical assistance of the European Commission to customs and tax administrations) has replaced CAFAO program beginning February 1, 2008, with the aim to continue to support customs and tax administrations of the West Balkans countries in order to prepare them for future membership in the European Union. It is expected that the Ministry of Finance of Serbia will sign a memorandum for implementation of this program, whose activities should represent a continuation of the previous six-year work of the CAFAO mission, with the program lasting one year.

It is also planned to use the Norwegian donation in the amount of 186,847.12 euros to finance the project "Informatics Support to the Integrated Tariff of the Customs Service of the Republic of Serbia", as well as the Slovenian donation in the form of rights to use TARIC application with a value of 308,429.31 euros.

Reconstruction of the Study Center of the Customs Administration of Serbia should begin in the second half of 2008.

Joint project of the International Agency for Atomic Energy and the European Union will be continued. Within this project, the Customs Administration has received various portable equipment for detection of radiation worth 124,441 euros, as well as a portable radioactivity monitor with the value of 56,900 euros. This donation is very important having in mind that the Customs Administration has taken over the preliminary control of radioactivity at the border in July 2006.

As a part of the World Customs Organisation's Columbus Program for improvement of capacities with the aim to implement the Framework of Standards to Secure and Facilitate Trade, it is planned to provide technical assistance to the Customs Administration in the area of risk management, i.e. expert missions to assist in the creation of a new Strategy of Risk Management and Analysis.

For the first time, representatives of the Customs Administration will participate in the activities of the Work Group at the high level of the WCO, tasked with revision of the WCO strategy of capacity building.

It is planned to increase the number of employees in the Customs Administration by 164, from 2448 (the number of employees on December 31, 2007) to 2706 state officials in 2008.

3.29.3 MEDIUM-TERM PRIORITIES (PERIOD 2010-2012)

3.29.3.1 Legislation

Further harmonisation of regulations in the area of customs with the EU regulations and WTO rules will continue in the period 2010-2012 and the adoption of the following related laws and bylaws is planned:

4. Work on amendments to the Law on Customs, for the purpose of harmonizing it with the Law on Free Zones, the Law on Foreign Trade and the Law on Offences, as well as its parts dealing with customs valuation of goods and the origin of goods;
5. Preparation of the Proposal of a new Law on Customs after the adoption of the new Law on Customs of the EU in 2009;
6. Preparation of the Proposal of the Regulation on harmonisation of the Customs Tariff with the Combined Nomenclature of the EU for each following year;
7. Preparation of the Proposal of the Regulation on allowed customs procedures for dutiable goods, approval of dutiable goods and collection of customs duties, with the aim to harmonize it with the new Law on Customs;
8. Preparation of proposals of amendments to other bylaws relying on the Customs Tariff for each following year;
9. Preparation of proposals of the Decision on Amendments to the Decision on Criteria for Approval of Quotas, as well as the Rulebook on Amendments to the Rulebook on Quotas, in accordance with demand of the economy;
10. Work on preparation of appropriate bylaws (decisions, rulebooks) to precisely define certain institutes stipulated by the new Law on Customs and new Regulation.

3.29.3.2 Institutional Framework:

Customs System and Policy Sector

Strengthening and improvement of institutional capacities in the Customs System and Policy Sector will be achieved with further attendance of professional seminars, training of employees, as well as advanced courses of foreign languages.

Customs Administration

The Customs Administration has made a project proposal applying for IPA 2008 funds which has not been approved yet. The project is titled “Strengthening Capacities of the Sector for Control of Application of Customs Regulations of the Customs Administration in Accordance with Best Practices of the EU”, whose planned value is 3,570,000 euros. The project is aimed at providing training and equipment to employees of the Sector for Control of Application of Customs Regulations of the Customs Administration, and it includes acquisition and training for use of stationary radiation monitors.

Pre-accession funds of the IPA 2007 have approved 1.5 million euros for introduction of the computer segment of the transit procedure of the EU in Serbia (NCTS). The money will also be available in 2009 and 2010.

Cooperation with the WCO in the area of improvement of risk analysis will be continued. The World Customs Organisation will provide technical assistance to Serbia, as a pilot country within the Columbus Program, in key areas of customs activities included in the Action Plan for Implementation of the Framework of Standards (authorized economic operators, export controls, fight against corruption, electronic exchange of information, security).

The Government of the Republic of Serbia has approved the entry into the EU CUSTOMS 2013 program. At this moment, the European Commission has delivered draft Memorandum of Understanding regarding conditions for participation of the Republic of Serbia in the program, as well as the Annex 1 which specifies the amount of annual contribution and financial rules. It is expected that the Government, as proposed by the Customs Administration, will approve the memorandum and the proposed amount of the contribution.

Recruitment needs of the Customs System and Policy Department within the Ministry of Finance

Name of Institution	Indicate whether the institution already exists or it is planned	Current number of employees	Planned (total) number of employees (per year)				
			2008	2009	2010	2011	2012
Customs System and Policy Department	existing	16	18	28	28	38	38
Total		16	18	28	28	38	38

Recruitment needs of the Customs Administration

Name of Institution	Indicate whether the institution already exists or it is planned	Current number of employees	Planned (total) number of employees (per year)				
			2008	2009	2010	2011	2012
Customs	existing	2542	2706	2856	3006	3156	3306
Total		2542	2706	2856	3006	3156	3306

Recruitment needs of the Analytics and Agrarian Policy Department of the Ministry of Agriculture, Forestry and Water Management

Name of Institution	Indicate	Current	Planned (total) number of employees (per year)				
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	whether the institution already exists or it is planned	number of employess	2008	2009	2010	2011	2012
Analytics and Agrarian Policy Department	existing	35	45	65	85	105	125
Total		35	45	65	85	105	125

Capacity building within the Ministry of Economy and Regional Development – these capacities have already been presented in WG 30 - international economic relations

Name of Institution		Indicate whether the institution already exists or it is planned	Current number of employess	<i>Planned (total) number of employees (per year)</i>				
				2008	2009	2010	2011	2012
MERD	Sector for multilateral and regional trade and economic cooperation	Existing	10	12	13	15	17	17
	Sector for bilateral economic cooperation	Existing	12	16	18	20	22	22
	Sector for foreign trade policy	Existing	24	24	24	24	24	24
Total			46	52	55	59	63	63

3.30 FOREIGN ECONOMIC RELATIONS

3.30.1 Common trade policy

3.30.1.1 State of play

3.30.1.1.1 Regulatory framework

At its session held on 19 November 2004 the Government of the Republic of Serbia took the decision to submit an application for the Republic of Serbia's membership of the World Trade Organization (WTO). The application of the Republic of Serbia for accession to the WTO was accepted and on 15 February 2005 the General Council of the WTO set up a working group for accession of the Republic of Serbia to the WTO. By 2008 the working group has held four meetings, the 5th meeting will take place in May 2008. According to the State of play of negotiations, completion of the WTO accession process is expected in the first half of 2009. WTO membership constitutes one of the key steps of a country's integration into modern international economic relations. At the same time it is an important element supporting the internal economic reform process as well as the necessary step required for accession to the EU. By acceding to the WTO the Republic of Serbia will, as part of the commitments it has undertaken, fulfill and implement the accepted standards in international trade.

The Agreement on the Amendment and Accession to the Central European Free Trade Agreement (CEFTA 2006) was signed on 19 December 2006 in Bucharest. On 24 September 2007 the National Assembly of the Republic of Serbia ratified the CEFTA Agreement 2006 which came into force on 24 October 2007. The network of the 32 Free Trade Agreements signed up till then in the region of South-East Europe (SEE) was replaced by one single multilateral agreement. This unique agreement is comprehensive, modern, ambitious but also realistic and reflects the state of play in the region.

Under the CEFTA 2006, the concessions for trade in goods referred to in the bilateral free trade agreements will be retained.

Compared to the bilateral agreements concluded earlier, the CEFTA 2006 has introduced novelties relating to trade in services and investments: while recalling the already concluded bilateral agreements for the promotion and protection of investments, it envisages establishing stable, favorable and transparent terms and conditions for investors; full protection and safety of investments; national treatment; and coordination of the investment policies.

The CEFTA 2006 provides more details on harmonization deadlines in particular sectors:

- technical trade barriers: by 31 December 2010 the Parties will have concluded a multilateral agreement on harmonization and mutual recognition of the procedures for compatibility evaluation of technical regulations;
- competition: as of 1 May 2010 competition rules will apply to all companies including public companies and the companies with special and exclusive rights, with the active operation of the Independent Regulatory Body;
- public procurement: by 1 May 2010 the Parties will have secured non-discrimination and national treatment;
- intellectual property protection: by 1 May 2014 the Parties will, unless they have already done so, have acceded to the relevant conventions and given effect to them.

The Agreement has introduced the application of diagonal cumulation of the origin of products, first within the region and then also with the EU providing an opportunity for tighter association of the economies within the region and for export growth.

The Agreement has introduced a new dispute settlement mechanism: upon consultations and hiring a mediator the injured party may introduce stopgap measures. The Agreement also envisages dispute settlement by means of arbitration.

The negotiations with EFTA are expected to start in 2008 so as to conclude in 2009 this Free Trade Agreement which will cover liberalization of trade in goods.

The Free Trade Agreement between the Federal Government of the Federal Republic of Yugoslavia and the Russian Federation was signed on 28 August 2000. The Republic of Serbia (legal successor) is the only state outside the Commonwealth of Independent States with which the Russian Federation has signed such an agreement. By abolishing customs duties on most products originating from the Republic of Serbia and the Russian Federation, more favorable conditions have been created for establishing long-term modalities of cooperation in all economic sectors. The Agreement stipulates that Protocols, which will include exemptions from the Free Trade Agreement (the goods which are still dutiable), will be negotiated and agreed upon every year. However, the only Protocol with the lists of goods exempted from the free trade regime, signed at the time of signing of the Basic Agreement, is still in force. Namely, although the Republic of Serbia did make repeated attempts to pursue this liberalization further, adjustments or further reductions have not been made.

The bilateral Free Trade Agreements with the Republic of Bulgaria and Romania ceased to be valid with their entry to the EU on 1 January 2007.

The conclusion of a Free Trade Agreement with the Republic of Turkey has been envisaged under the Stabilization and Association Agreement between the Republic of Serbia and the EU (Chapter III, Article 17) which was initiated on 7 November 2007. The initiative for opening negotiations for concluding the Foreign Trade Agreement was launched by the Turkish side in 2002 and re-asserted at the 9th Meeting of the Joint Commission for Economic and Scientific-Technical Cooperation held on 12 and 13 October 2004 in Ankara. In December 2007 the first round of negotiations for conclusion of the Free Trade Agreement was held in Ankara. According to plan, the next meeting will take place in Belgrade in the course of 2008.

The Republic of Serbia already has in place bilateral trade and economic cooperation agreements concluded with most countries containing, depending on what has been agreed and on a reciprocal basis, the most-favored nation clause (MFN).

In 2005 the new Law on Foreign Trade Operations came into force (“Official Gazette” No 101/05, 21 Nov 2005) introducing major changes by facilitating and liberalizing foreign trade in goods and services. The Law makes it possible for all foreign trade operators to do business on an equal footing, regardless of their ownership structure, as well as for equal treatment of all goods regardless of their origin. This Law is a result of the harmonization of national legislation with the rules and disciplinary standards of the WTO and EU. The Law stipulates that, in case of a critical shortage of important goods or the need to eliminate the effects of such shortages, the Government of the Republic of Serbia may impose a quantitative restriction on the relevant exports (Article XI 2 (a) GATT 1994).

The Law has for the first time introduced protective measures harmonized with the Agreement on the Application of Article VI of the General Agreement on Tariffs and Trade of 1994, the Agreement on Subsidies and the Agreement on Protective Measures as well as the relevant EU regulations governing this field. In 2006 three new regulations were adopted: the Regulation specifying more detailed conditions for applying anti-dumping measures; the Regulation specifying more detailed conditions for

applying countervailing measures; and the Regulation specifying more detailed conditions for applying measures protecting against excessive imports (“Official Gazette of RS” No. 36/06, 27 Apr 2006). Each of these regulations governs the procedure of examination and conditions for applying an individual measure, all in keeping with the relevant WTO and EU regulations in that field. Work is underway to draft technical amendments to the Law on Foreign Trade Operations and technical amendments to the supporting regulations in response to the objections heard during the 3rd and 4th rounds of negotiations for Serbia’s accession to the WTO. At the date of entry of the Republic of Serbia to the EU, the provisions of the Law on Foreign Trade Operations and the supporting regulations will cease to be valid because the Republic of Serbia will, by acceding to EU membership, take over the Common Trade Policy of the European Union.

By passing the Law on Foreign Trade in Arms, Military Equipment and Dual-Use Goods and the relevant secondary legislation in 2005, the Republic of Serbia established a system for controlling imports and exports of such controlled goods in order to achieve and protect foreign policy and security-related and defense-related interests, its international credibility and integrity and ensure adherence to international commitments. The EU experts have evaluated this Law as good. It is necessary, however, to further harmonize the secondary legislation, in particular the parts relating to brokering (extraterritorial application of regulations), the ‘*catch-all*’ clause and the punitive provisions.

At the same time, the Decision on Criteria for Issuing Permits for Controlled Goods Exports in Line with the EU Code(s) of Conduct on Arms Export was adopted, controls introduced on imports and exports of dual-use goods and the national controlled lists of goods requiring a permit were set up fully in line with the EU Lists of 2000. Any body corporate or individual may pursue foreign trade in controlled goods provided they are registered for performing this activity with the competent Ministry of Economy and Regional Development.

The Republic of Serbia is implementing, as part of its national legislation, the most important international agreements and conventions on armaments, arms control and bolstering of security measures including, *inter alia*, the Treaty on Non-Proliferation of Nuclear Armaments (NPT), the Convention Prohibiting the Development, Manufacturing and Warehousing of Bacteriological (Biological) and Toxicological Weapons and their Destruction (BTWC) and the Convention Prohibiting the Development, Manufacturing, Warehousing and Use of Chemical Weapons and their Destruction (CWC).

Since the Republic of Serbia is not a member of any international controlling regimes, a problem that is very much in evidence is that of monitoring changes in this field in the international community and of bringing the national control lists up to date. This problem has been exacerbated by shortage of capacities, primarily of experts in engineering sciences in all the fields covered by dual-use goods. Namely, the Ministry that has been operatively charged with implementation of these regulations lacks the required human resources for execution of this part of the job. To that end, there are plans to appoint a separate working group to identify dual use goods that would have as its members the representatives of the engineering institutes and other relevant institutions. At the same time, however, education of local economic operators and officers who will run training in identifying dual-use goods is necessary as well. To fulfill these objectives, additional financial means need to be secured.

The Law on the Agency for Insurance and Financing of Exports (AOFI) of the Republic of Serbia was passed in July 2005. AOFI started to finance, on a short-term basis, export-oriented projects in November 2005 and in May 2006 a product was introduced to insure collection of export claims against commercial risks. In December 2006 AOFI launched the activities of Factoring (purchase of export claims).

So far the Republic of Serbia has signed over 40 bilateral agreements on mutual promotion and protection of investments with various countries. The agreements of this type are in force with almost all of the EU member states (United Kingdom, Spain, Italy, Germany, Austria, Switzerland, Greece, Belgium, the Netherlands, the Czech Republic, Slovakia, Poland, Hungary, Cyprus, etc.), with the Russian Federation and PR China, all the neighboring countries and the former Yugoslav republics as well as with a number of developing countries on the African and Asian continents (Iran, Iraq, Libya). Such bilateral agreements for mutual promotion and protection of investments guarantee foreign investors a fair, equal and non-discriminatory treatment as well as, in particular, national treatment and the most-favored nation treatment. In addition, such agreements provide protection to investors against possible expropriation or any other measures executed by the state. These agreements hold special importance for foreign investors also because they enable the provisions of international law to be applied in case of any possible dispute between an investor and the country hosting the investment, in accordance with the provisions of the Convention on Settling Investment Disputes between the States and Nationals of Other States of which Serbia is a Signatory.

3.30.1.1.2 Institutional Framework

The Ministry of Economy and Regional Development is the competent institution for negotiations, conclusion and monitoring of implementation of multilateral and bilateral agreements.

3.30.1.2 Short-term priorities 2008 – 2009

3.30.1.2.1 Legislation

The Free Trade Agreement with EFTA: mutually expressed interest in opening negotiations thereon.

The Economic Cooperation Agreement with the Republic of Bulgaria (signed in November 2007): the procedure for its ratification is underway at the National Assembly of the Republic of Serbia.

The Economic and Scientific-Technical Cooperation Agreement with Romania (initialed in 2007) is planned to be signed by the end of 2008.

The Economic Cooperation Agreement with the Republic of Poland: the Polish side is expected to communicate to the Serbian side a draft agreement for its consideration by end of 2008.

The Free Trade Agreement with the Republic of Belarus: the harmonization of the lists of products to be exempted from the free trade regime is underway (the signing is planned to take place in 2009).

The Economic Cooperation Agreement with the Republic of Kazakhstan: agreed upon and initialed at the time of the State Union of Serbia-Montenegro (SCG), its text needs to be subjected to an updating procedure by the competent line Ministries of the Republic of Serbia (the Contracting Party: Republic of Serbia) after which a proposal would be made to the Kazakh side to sign it (by end 2008/in early 2009).

The Agreement on Trade Preferences with the Islamic Republic Iran: Annex C (Rules of Origin) has been communicated to the Iranian side, the body of the agreement and the basic lists have been agreed upon and the signature is planned to take place by end of 2008.

The Agreement on Trade Preferences with the Islamic Republic of Pakistan: harmonization of the lists of products to be placed on the preferential regime (signing expected in 2009).

The Law Invalidating the Law on the Fund for Insurance and Financing of Foreign Trade Operations (SMECA - established as a World Bank project). Under this Law, SMECA, set up as a WB project to pursue the activities of an export credit agency, will merge with AOFA. As a result, there will be only one export credit agency on the territory of the Republic of Serbia, a practice in line with that in other countries.

Creating legal pre-requisites for the start of insurance activities on behalf and for the account of the state
3.30.1.2.2 Institutions

The capacities of the Ministry will be bolstered further and the professional training of its employed officers will continue. In order to ensure further capacity-building at the Ministry of Economy and Regional Development, several foreign assistance projects will be implemented:

USAID – a program for accession of the Republic of Serbia to the World Trade Organization; the project has been launched in order to provide assistance to the Government of the Republic of Serbia in the WTO accession process; it commenced in July 2001 and will be finalized in September 2008; project value is US\$ 6.1 million.

SECO – technical assistance of the Swiss Government for accession of the Republic of Serbia to the WTO in cooperation with IDEAS Centre, Geneva, the implementation agency of the Swiss Cooperation Agency (SECO). This project started in the days of SCG and will last until the end of 2008.

The Twinning Project (partners: Ministry of Economy and Regional Development of the Republic of Serbia and the Ministry of Economy and Technology of the Republic of Germany) – a capacity building project for the Ministry of Economy and Regional Development in the field of charting, negotiating and implementing the trade policy and negotiating of trade agreements. The project commenced in November 2007 and will be completed in November 2009. Project value is EUR 1.5 million.

3.30.1.3 Mid-term priorities (2010 – 2012)

3.30.1.3.1 Legislation

The Free Trade Agreement with the Republic of Turkey: harmonization of the draft texts of the agreement is under way (signature planned in 2010/2011).

The Free Trade Agreement with the Republic of Kazakhstan: both sides expressed an interest in negotiating it and reaching agreement on its final text.

Insurance activities should be finally separated from financing activities in order to set up different organizational departments and juridical persons.

3.30.1.3.2 Institutions

Competent institutions have been designated to implement the *acquis communautaire* in the framework of this chapter. According to plan, capacity-building will take place within the competent institutions by stepping up the number of employees and by upgrading their office equipment.

Capacity building within the Ministry of Economy and Regional Development

FIRST DRAFT
UNOFFICIAL TRANSLATION

Name of institution		Indicate whether the institution exists or is planned to be established	Current number of employees	Planned (total) number of employees (by year)				
				2008	2009	2010	2011	2012
MERD	Department for Multilateral and Regional Trade and Economic Cooperation	Exists	10	12	13	15	17	17
	Department for Bilateral Economic Cooperation	Exists	12	16	18	20	22	22
	Department for Policy and Foreign Trade Regime	Exists	24	24	24	24	24	24
Total			46	52	55	59	63	63

3.30.1.4 Financial needs

Name of institution		Indicate whether the institution exists or is planned	Current number of employees	Planned (total) number of employees (by year)					TOTAL:
				2008	2009	2010	2011	2012	
MERD	Dptm. for multilateral and regional trade and economic cooperation	Exists	475,000	834,800	749,900	977,300	1,072,300	807,500	
	Dptm. for bilateral economic	Exists	570,000	1,289,600	1,119,800	1,214,800	1,309,800	1,045,000	

	cooperati on								
	Dptm. for policy and foreign trade regime	Exists	1,140,00 0	1,140,0 00	1,140,0 00	1,140,0 00	1,140,0 00	1,140,0 00	
Total			2,185,00 0	3,264,4 00	3,009,7 00	3,332,1 00	3,522,1 00	2,992,5 00	18,305,8 00

3.30.2 Development and relief aid policy

DEVELOPMENT COOPERATION AND RELIEF AID

The Republic of Serbia has only extremely limited capacities to support the goals and instruments of the European Union's development policy given that it is itself a beneficiary of the IPA funds.

So far the Republic of Serbia has not taken part in any EU project geared at providing development aid, technical aid nor financial aid nor does it have within its state budget any set asides intended for the purpose. It is only in 2007 that a complete regulatory framework was put in place and the organizational structure established to receive development aid funds. Hence, the coming period will see a reversible process, i.e. development of regulatory and institutional frameworks to provide development aid to third countries. To that end, the Republic of Serbia has been gathering experience from other countries and studying the legal arrangements applicable in the states of a level of economic development similar to its own.

As for humanitarian aid, over the past years the Republic of Serbia has provided material humanitarian relief aid, within its abilities, to Montenegro, Greece and to the states in the South-East Asian region hit by tsunami.

Given that, as a rule, emergency actions were called for in response to natural disasters, the Government of the Republic of Serbia has so far tended, in providing relief aid, to take *ad hoc* decisions on a case-by-case basis. Hence there are no institutional modalities of coordination. Rather, it was the competent line Ministries that were mobilized to give aid, depending on the nature of the natural disaster and the needs of the afflicted population in the state concerned.

Mid-term priorities

The Republic of Serbia will, through its EU accession process, improve its own economic opportunities in order to be in a position to effectively take part in the EU development aid programs as well as to contribute to the European Development Fund (EDF).

To that end, it is necessary:

- to prepare a study of the required laws and regulations and means for implementing development cooperation and relief aid systems;
- to harmonize its laws and regulations with the European legislation as well as with the international instruments in this field;

- to secure the required funds to participate in the development and humanitarian relief aid policies of the European Union.

As part of mid-term planning, a National Coordinator for Development Cooperation and Relief Aid will be appointed in order to coordinate the activities of all domestic bodies and institutions. The Ministry of Foreign Affairs will set up a technical organizational department and hire manpower for the purpose in order to have it monitor, plan and implement development cooperation and humanitarian aid activities in an appropriate way.

3.31. FOREIGN, SECURITY AND DEFENSE POLICY

3.31.1. Political dialogue

3.31.1.1. State of Affairs

The political dialogue between the Republic of Serbia and the European Union was renewed on the occasion of the meeting of the European Council in Biarritz in 2000 and established on the EU - Western Balkans Summit in Zagreb, which was held the same year. The concrete effects of the political dialogue of the two parties started with the adoption of the Joint Declaration on Political Dialogue between the European Union and the Republic of Serbia in 2003, initiating the realization of one of the decisions of the EU Summit in Thessaloniki of the same year. The Declaration provides the formalization of the political dialogue at the bilateral and multilateral levels. The meetings of the Ministers of Foreign Affairs of the Republic of Serbia and the EU three are held at the bilateral level. The Summit of Heads of States or Governments of the EU and Western Balkans countries, EU-Western Balkans Forum and interparliamentary meetings between the representatives of European Parliament and the representatives of the National Parliament of the Republic of Serbia are held at the multilateral level. Since 2006 the Republic of Serbia has regularly joined the declarations and opinions of the EU related to CFSP through its Missions to the EU in Brussels, to the UN in New York and Geneva and to the OSCE in Vienna. Besides, the Mission of the Republic of Serbia to the EU in Brussels regularly keeps in contact with the partners from the EU Commission Western Balkans Directorate (Serbia panel).

In order to facilitate the process of harmonization with the European legislation, *technical* meetings are held at the working level. These meetings are the meetings of the EU experts and the sectoral representatives of the Government of the Republic of Serbia at which the modalities for solving acute problems of the departments of the Government of the Republic of Serbia related to harmonization are set up. So far, they have had a form of *Consultative Working Group*, that is *Improved Permanent Dialogue* (more than ten such meetings have been held).

3.8.1.1.2. Institutional Framework

The Ministry of Foreign Affairs, the Ministry of Defence, the Ministry of Interior, the Ministry of Justice, the Ministry of Economy and Regional Development, the Ministry of Finance and the Republic Secretariat for Legislation are the institutions in charge of the implementation of the activities of the Republic of Serbia in the field of foreign, security and defence policies.

Strengthening of institutions and building of administrative capacities are being carried out regularly in co-operation with the Serbian European Integration Office of the Government of the Republic of Serbia. Additional training on issues related to CFSP EU and up-grading of negotiation and lobbying skills are being organized for diplomats of lower and medium ranks. Through Twinning and TAIEX programmes, a possibility to go to study trips has been given to the employees of the Ministry of Foreign Affairs in order to get to know practices of some EU institutions better, which operate in the field of CFSP EU.

Special attention has been paid to the strengthening of administrative and technical capacities of the Mission of the Republic of Serbia to the EU in Brussels. Apart from the ordinary diplomatic corps, additional four experts in the fields of trade, customs, agriculture and energetics have been engaged in this Mission.

By adoption of the Law on Foreign Affairs in 2007 (The Official Bulletin of the Republic of Serbia, no. 116/07 of 11/12/07), the scope of the Ministry of Foreign Affairs and of its diplomatic-consular network abroad have been determined. The existing job classification within the Ministry of Foreign Affairs includes a special organizational unit (Directorate General for the EU), which intensively monitors the EU institution policies and activities, as well as its interconnections with certain regional organizations, the Republic of Serbia being their member. The Directorate General has about 30 employees organized in three directorates, namely for the sector policies, the EU institutions and the regional initiatives.

Based on the Conclusion of the Government of the Republic of Serbia (no. 018-4611/2007, 26/7/07) from 2007, the Ministry of Interior creates the European Integration Activity Agenda. All sectors have to submit monthly activity overviews, which are being collected and distributed to the President of the National Parliament, to the President of the Republic, to the Prime Minister, to the Deputy Prime Minister and to all ministers and to the President of the EU Integration Board of the National Parliament, in order to co-ordinate their appearance before the European Union partners.

3.8.1.2. Long-term and Short-term Priorities

By the decision of the European Union Council on the principles, priorities and conditions contained in the European partnership with the Republic of Serbia including Kosovo, according to the UN Security Council Resolution of 10 June 1999, a part of short-term and mid-term priorities within the competence of the Ministry of Foreign Affairs of the Republic of Serbia was also determined. These priorities relate to the harmonization of the foreign policy of the Republic of Serbia with the Common Foreign and Security Policy of the European Union.

In the field of the political co-operation with the European Union and the harmonization with its Common Foreign and Security Policy, the Republic of Serbia defined the signing and the implementation of the Stabilisation and Association Agreement as the short-term priorities, followed by the preparations for the status of the candidate country. These preparations also imply the commencement of the stage in which the fulfilment of the criteria for the future membership in the EU will be approached. The commencement of the negotiations for the membership in the EU and continuous strengthening of the administrative and technical capacities of the Mission of the Republic of Serbia to the EU in Brussels in this context has been identified as mid-term priorities.

3.31.2. Co-operation with the International Organizations

3.31.2.1. Membership in the International Organizations

The Republic of Serbia is a member of the following global and regional international organizations:

ORGANIZATIONS OF THE UNITED NATIONS SYSTEM

Sr.No.	Organization	Acronym
1.	The World Bank	WB
2.	The International Monetary Fund	MMF
3.	The United Nations Industrial Development Organization	UNIDO
4.	The United Nations Educational, Scientific and Cultural Organization	UNESCO
5.	The International Labour Organization	ILO
6.	The International Maritime Organization	IMO

7.	The World Health Organization	WHO
8.	The International Civil Aviation Organization	ICAO
9.	The International Telecommunication Union	ITU
10.	The Universal Postal Union	UPU
11.	The International Atomic Energy Agency	IAEA
12.	The World Intellectual Property Organization	WIPO
13.	The Food and Agriculture Organization of the United Nations	FAO
14.	The International Organization for Migrations	IOM
15.	The World Meteorological Organization	WMO

OTHER GLOBAL INTERNATIONAL ORGANIZATIONS

Sr.No.	Organization	Acronym
1.	The International Lead and Zinc Study Group	
2.	The United Nations International Institute for the Unification of Private Law	UNIDROIT
3.	The European Telecommunications Satellite Organization	EUTELSAT
4.	The Intergovernmental Organisation for International Carriage by Rail	OTIF
5.	The International Criminal Police Organization	INTERPOL
6.	The World Turistic Organization ??? Trade???	WTO
7.	The European Conference of Ministers of Transport	CEMT
8.	The Non-Aligned Movement (as observers)	NAM

REGIONAL ORGANIZATIONS

Sr.No.	Organization	Acronym
1.	The Organization for Security and Co-operation in Europe	OSCE
2.	The Council of Europe	CoE
3.	The European Bank for Reconstruction and Development	EBRD
4.	The Central European Initiative	CEI
5.	The Southeast European Cooperative Initiative	SECI
6.	The European Free Trade Association	EFTA
7.	The Stability Pact	SP
8.	The Adriatic-Ionian Initiative	AJI
9.	The Danube Commission	DC
10.	The International Commission for the Protection of the Danube River	ICPDR
11.	The South East European Co-operation Process	
12.	The Migration, Asylum, Refugees Regional Initiative	MARRI
13.	The Black Sea Economic Cooperation	BSEC
14.	The Danube Co-operation Process	
15.	The International Sava River Basin Commission	

16.	The Central European Free Trade Agreement	CEFTA 2006
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3.31.2.1.1. The United Nations Organization

The Federal Republic of Yugoslavia became a member of the UN in 2000. After the dissolution of the State Union of Serbia and Montenegro in June 2006, the Republic of Serbia, as the international legal successor has continued to be a member of the UN.

The Republic of Serbia supports the overall UN reform based on objectives and principles of the UN Charter, international law, decisions of international conferences and high level meetings as well as on the Millennium Declaration approved in consensus. In previous considerations of the UN reform issues, Serbia is of the view that the reform is necessary in order to make the United Nations Organization act more efficiently in new global conditions and to satisfy the needs of modern mankind.

Serbia also contributes to the activities of the UN through its membership in various bodies of the UN and in specialized agencies. Serbia is a member of the Commission for Sustainable Development, a member of the Executive Committee of UNDP/UNFPA, a member of the Executive Committee of UNICEF, a member of the Executive Committee of UNESCO, a member of the Permanent Committee of Regional Committee of WHO for Europe and a member of the Administrative Council of UNEP (the mandate starts in 2009).

The Republic of Serbia monitors and actively participates in the activities of the First Committee at the UN General Assembly (Disarmament and International Security), as well as in the activities regarding its reform, it regularly delivers speeches at its sessions related to the issues concerned, it sponsors its resulting resolutions, and on the occasion of voting it accomplishes coordination with the EU countries as well. It also monitors the activities of the Conference on Disarmament and plans to submit candidacy in order to regulate its membership in this important UN body in the field of disarmament.

Serbia completely fulfils the obligations based on the UN Action Plan for Eradication and Suppression of Small Arms and Light Weapons (SALW) and related decisions. Moreover, Serbia strictly applies adequate resolutions of the UN Security Council establishing embargo on weapon exports to some countries.

In 2006, Serbia submitted its candidacy for the membership in the UN Council on Human Rights for the period 2008/2011, which is going to be considered in May 2008 in New York.

Since 2002, the Republic of Serbia has been actively participating in the UN Peace Operations. The members of the Army of the Republic of Serbia and of the Ministry of Interior take part in four UN peace missions: the UN Mission in the Democratic Republic of Congo (MONUC) with 6 members of medical team, in Liberia (UNMIL) with 6 military observers and 7 members of the Ministry of Interior, in Côte d'Ivoire (UNOCI) with 3 military observers and in Haiti (MINUSTAH) with 5 members of the Ministry of Interior. The Republic of Serbia also took part in the UN peace missions in East Timor (UNMISSET) and Burundi (ONUB).

Regarding co-operation with the UN, we should mention that the issue of Kosovo and Metohija has been on the Agenda of the UN Security Council since 1998. The UN Security Council adopted five resolutions related to the issue of Kosovo and Metohija (S/RES/1160 (1998), S/RES/1199 (1998), S/RES/1203 (1998), S/RES/1239 (1999) and S/RES/1244 (1999)). The last and the most important of them is the Resolution 1244 (1999) which established international civil and military administration in Kosovo and Metohija – UNMIK and KFOR. The Republic of Serbia respects the provisions of the Resolution 1244. Accordingly, the Republic of Serbia collaborates with UNMIK and KFOR in fulfilling their mandates. Moreover, the Republic of Serbia insists that UNMIK and KFOR continue to perform their mandates consistent to the Resolution 1244.

3.31.2.1.2. Organization for Security and Co-operation in Europe

In the course of 2007, the following issues concerning the co-operation between the Republic of Serbia and the OSCE were dominant:

- activities of the OSCE Mission in Kosovo and Metohija (OMIK) and a potential change of its mandate,
- implementation of the *Sarajevo Declaration* and
- activities of the OSCE Mission in Serbia, especially the issue of signing the new Memorandum of Co-operation between the Republic of Serbia and the OSCE.

The OSCE Mission in Kosovo and Metohija (OMIK) was established on 1 July 1999 (it represents the biggest field mission that the OSCE ever allocated). The mandate of the Mission relies on the UN SC Resolution 1244 and it specifies that it is a part of UNMIK. Bearing in mind that no agreement on the future status of Kosovo and Metohija and on the change of the form of the international presence in Kosovo and Metohija has been reached at the UN Security Council, in December 2007 the Republic of Serbia did not give an approval for the automatic extension of the OSCE Mission in K&M for another year, which would allow further activities in the course of 2008 within the existing mandate. Since the decisions of the OSCE are brought in a consensus, the Republic of Serbia has used the possibility to adjust the adoption of the decision on further activities of OMIK to our interests. The decision on the extension of the mandate of OMIK, which was adopted by the Permanent Council of OSCE on 21 December 2007 prescribes that it is extended to 31 January 2008, as well as that it is extended afterwards every month, unless opposed by some OSCE member state in writing. However, if some of the OSCE member states objects (in writing) the extension of OMIK mandate, the decision prescribes to start the procedure of the Mission closing. So far, no OSCE member state blocked the decision on the monthly extension of the activities of the OSCE.

Under the initiative of the representatives of the European Commission, the OSCE and the UNHCR, the ministers in charge of Bosnia and Herzegovina, Croatia, Serbia and Montenegro signed the Sarajevo Declaration on 31 January 2005 at the Regional Ministerial Conference dedicated to the resolution of refugee issues, which confirms the dedication of these states to essentially solve the problems of the refugees in the region by means of the regional approach and under the assistance of the international community. The Missions of the OSCE in Serbia, Croatia and Bosnia and Herzegovina have closely co-operated in the application of this declaration. By the decision of the Permanent Council of the OSCE of 21 December 2007, the Mission of the OSCE in Croatia was closed and the Office of the OSCE in Zagreb was opened at the same time. In addition to the issues concerning the supervision of local trials for war crimes and the co-operation of the Croatia authorities with the Hague Tribunal in this sense, the mandate of the Office of the OSCE in Zagreb also prescribes that it will deal with „residual aspects of the programmes on housing in Croatia“. We are of the opinion that it is necessary to implement the Sarajevo Declaration in full (PEP), which also implies the resolution of the two remaining open issues: the issue of occupancy rights of the refugee Serbs from Croatia and the recognition of their work experience. In this we have the full support of the Mission of the OSCE in the Republic of Serbia whose representatives express their support in respect of this issue at all relevant international meetings.

At present, the Mission of the OSCE in Serbia has been implementing about 60 projects in the fields of police training, democratization, media, strengthening of the rule of law and promotion of human rights, economy and ecology. The Ministry of Foreign Affairs periodically holds the co-ordination meetings with the representatives of the Mission to exchange opinions about its activities and programme priorities. One of the novelties of the Mission of the OSCE in the Republic of Serbia is the strengthening of the activities in the Sandžak, for which it is necessary that it implements its projects under the approval and in the co-operation with the relevant ministries. The modalities of the future

functioning of the Mission of the OSCE in the Republic of Serbia will be defined by the Memorandum of Understanding (MoU) between the Republic of Serbia and the OSCE, the draft of which has been the subject of the consideration and the interline and expert consultations for more than a year. The draft of the Memorandum of Understanding proposed by the OSCE contained the novelties and three important differences in relation to the previous one, which required the rent of the working premises without financial compensation (so far the lease costs have been paid for the rent of the premises), expansion of privileges and immunities of the Mission officers and the locally engaged staff being exempted from tax payment (which was not the case before and such privileges are very rarely granted, as a rule). The new MoU between the OSCE and the Republic of Serbia has not been signed yet and the final opinion about the mentioned open issues will be provided by the relevant sectors.

In the course of 2007 the Mission of the OSCE in the Republic of Serbia continued to implement the activities within the framework of its mandate, namely to render assistance in the reform processes. In this sense, the head of the Mission of the OSCE in the Republic of Serbia, H.O. Urstad submitted the regular report to the delegations of 56 member states at the meeting of the Permanent Council of the OSCE on 28 February 2008 reporting that due to the challenges Serbia has been facing in the last two years, the reforms are slightly slower, but that the direction of this process has not been changed. The report also estimates that Serbia is a democratic society with the functioning market economy as well as that the democratic institutions and dedication to the democratic processes had been strengthened in spite of the escalation of the political differences. It is indicative that the budget of the OSCE for 2008 only allocates increased financial resources for the Mission of the OSCE in the Republic of Serbia out of 18 missions of the OSCE in different countries at present, which testifies the political attitude of the OSCE that its activities in Serbia should be more efficient in 2008.

In the forthcoming period, in co-operation with the OSCE and in the context of the integration process of Serbia to the EU, it is necessary that Serbia utilizes the potentials of the co-operation of the Mission of the OSCE in the Republic of Serbia at maximum, so that it contributes essentially with its activities to faster integration of Serbia to the EU. In that sense, when the Republic of Serbia achieves adequate standards prescribed by the EU, it is necessary to enter the process of the „exit strategy“ of the OSCE Mission in Serbia, first by reduction of the scope of its activities and then by its complete closure.

3.31.2.1.3. The Council of Europe

The Republic of Serbia was admitted to the membership in the Council of Europe on 3 April 2003.

The Republic of Serbia is still in the stage of the so-called monitoring, since all the obligations accepted on the occasion of admittance to the Council of Europe have not been fulfilled yet. In respect of obligations after the admittance, in formal terms, full co-operation with the International Criminal Tribunal in the Hague and the signing and ratification of the European Framework Convention on Cross-border Co-operation between the Territorial Units and the State Authorities remain to be accomplished yet. The monitoring mechanism of the CE also suggests the ratification of the European Revised Social Charter, and it is also expected that a series of system laws would be adopted as well, such as the laws preventing various forms of discrimination, asylum law, restitution law, etc.

The fulfillment of these criteria and duties will also have a positive effect on the process of our European integration, since by meeting the requirements and duties of the CE, we in fact meet the requirements of the so-called EU Copenhagen Criteria, and the majority of national and regional assistance projects, which contribute to the fulfillment of the Copenhagen Criteria, are jointly implemented by the candidate states for the membership in the EU with the CE, whereas the entire process is financed by the EU Commission.

The Republic of Serbia will continue to actively promote the efficiency of the application of the European Convention on Human and Minority Rights and Fundamental Freedoms and the European Court of Human Rights, as the basic postulates of protection of human rights and freedoms. In addition,

our country will also advocate for the soonest possible enforcement of the Protocol No.14 to the European Convention on Human Rights, as well as for the strengthening of the national mechanisms of its application at the same time.

The Republic of Serbia will fully support all the activities aimed at strengthening of the role of the High Commissioner for Human Rights of the CE, as well as other monitoring mechanisms of the CE, the European Committee on the Prevention of Torture and the European Commission against Racism and Intolerance in particular.

The Republic of Serbia will be focused in future on the protection of national minorities and overall application of monitoring mechanisms of the Framework Convention on the Protection of National Minorities and the European Charter on Regional and Minority Languages, as the basic means to preserve and develop democratic stability. The Republic of Serbia will continue to support and actively participate in the activities of the Forum on Democracy Future of the Council of Europe.

The Republic of Serbia will encourage efficient co-operation and overall application of the international instruments in the field of combat against terrorism, intolerance, racism, corruption, organized crime, human trafficking and other forms of cross-border crimes. It will be especially engaged in the Group of States against Corruption (*GRECO*), then through the project intended to fight economic crime (*PACO*), as well as within the framework of the Expert Committee for Evaluation of Money Laundry Prevention Measures (*MONEYVAL*). Special attention will be paid to the issue of prevention of human trafficking.

As a multi-cultural, multi-ethnic and multi-religious state, the Republic of Serbia will continue to pay great attention to the activities of the CE encouraging protection, improvement and preservation of cultural diversities, as well as the religious aspect of the inter-cultural dialogue. The Republic of Serbia has actively participated in the preparation of the CE document known as the White Book on Integrated Management Policies of Cultural Diversities by means of inter-cultural dialogue and prevention of conflicts.

In the process of building more human Europe – Europe for All, the Republic of Serbia has actively participated in the programme Building Europe for and with Children, in the context of protection and encouragement of cultural diversities, Serbia pays great attention to education and it has been included in the European Youth Campaign for Diversities, Human Rights and inclusion – All Different – All Equal.

The Republic of Serbia supports the strengthening of the active role of civil sector, national and regional non-governmental organizations, and it pays its particular attention to the activities of the Conference of International Non-governmental Organizations of the Council of Europe.

The Republic of Serbia participates in the joint programme of the European Commission and the CE – Support to Social Security Institutions, in the preparation of the CE Action Plan for Complete Social Integration of Disabled Persons 2006-2015, in the establishment of monitoring mechanisms to the Convention on Actions against Human Trafficking (*GRETA*), in the activities of the European Commission for Efficient Jurisdiction (*CEPEJ*).

Several issues of importance for the Republic of Serbia have been discussed at the Parliamentary Assembly of the Council of Europe – pursue of criminal offenders who fall within the competence of the International Tribunal for War Crimes committed in the territory of the former Yugoslavia; witness protection, as the key prerequisite to accomplish justice and conciliation on the Balkans; current situation in Kosovo; position of national minorities in Vojvodina/Serbia; position of refugees and displaced persons in the South-East Europe; position of children in post-conflict regions in the region of the Balkans.

The delegation of the Republic of Serbia also actively participates in the activities of the Congress of Local and Regional Authorities of the Council of Europe.

3.31.2.1.4. The NATO and the PfP

On 29 November 2006 at the NATO summit in Riga the Republic of Serbia was invited to access the Partnership for Peace (PfP) and the Euroatlantic Partnership Council (*EAPC*). The signing of the Framework Agreement that contained the basic principles of PfP, the conditions to accomplish lawful participation of the Republic of Serbia in the activities of the European Atlantic Partnership Council (*EAPC*) have been provided, as well as in the activities of the NATO committees and the work teams, in the fields where the Government of the Republic of Serbia expressed to have interests (traffic, science, power industry, crisis management, extraordinary circumstances, etc.). The formalisation of the status of the Republic of Serbia within the framework of PfP, started by the delivery of the Presentation Document at the seat of the NATO on 5 September 2007. The Presentation Document was adopted by the Government of the Republic of Serbia at the session held on 27 July 2007.

Before it joined PfP, Serbia established the co-operation with the NATO in the following areas:

- parliamentary activities (since May 2007 we have had the status of associate member at the NATO Parliamentary Assembly),
 - implementation of the annual co-operation programmes with the NATO in the field of defence reform,
 - training and participation in joint exercises,
 - activities of Serbia – the NATO Defence Reform Group (DRG),
 - activities aimed at prequalification courses and integration of discharged military officers (*PRISMA*) – under the support of the NATO Trust Fund,
 - implementation of the project to destroy landmines (*NAMSA*), etc.

The Agreement on Establishment of Airways across the territory of FRY for the requirements of the NATO missions (December 2002) and the Agreement on Transit Arrangements to Support Peace Operations (ratified in November 2005) have been concluded.

The NATO Military Liaison Office (MLO) in Belgrade was opened in 2006 with the task to monitor the implementation of the Agreement on Transit Arrangements to Support Peace Operations and to encourage other activities of the co-operation between the NATO and Serbia as well. The Italian general L. Bata is the present head of this office. Italy also plays the two-year role of the country for the contacts with the NATO.

In July 2007 the Ministry of Defence of the Republic of Serbia submitted to the NATO Secretariat a filled-in questionnaire on the process of planning and review – as the key mechanism in the joint planning and development of interoperable defence capacities.

SHORT-TERM PRIORITIES

The adoption of the Law on Classification of Information. Although there is an initial proposal of this law, it has not been sent to the Government yet so that its adoption will be one of the priorities in the realm of domestic legislation.

The completion of preparations of the Individual Programme of Partnership (*IPP*) between the Republic of Serbia and the NATO for the period from 2008 to 2009, which defines concrete activities in each of the fields foreseen in the Presentation Document. Upon the completion of IPP co-ordination procedure, this document needs to be forwarded to the Government for consideration and adoption.

The adoption of the Transit Agreement with the NATO.

MID-TERM PRIORITIES

The assumption of full formalisation of the status of the Republic of Serbia within PfP, i. e. the appointment of the Mission of the Republic of Serbia to the NATO, full use of PfP instruments and education of our officers at the NATO and PfP training centres and schools – is the signing of the Security Agreement with the NATO, the draft of which the Ministry of Defence has sent to the Government for adoption.

3.31.2.1.5. The International Criminal Tribunal

The Republic of Serbia is a member of the Roma Statute from 2001. Although the representatives of the Republic of Serbia did not take part in drafting of this statute, Serbia belongs to the group of countries that were among the first to ratify these Articles of Association of the Court. It was also among the first to sign and ratify the Agreement on ICT Privileges and Immunities.

The negotiations have also been initiated regarding the conclusion of the Treaty on Sentence Serving by Persons Convicted before the ICT between the Republic of Serbia and this Court.

Although the Criminal Law of the Republic of Serbia includes the majority of provisions required for the implementation of the Roma Statute, and the Constitution of the Republic of Serbia recognizes in fact the precedence of the international treaties over the domestic legislation, a special law on the co-operation with the International Criminal Tribunal should be adopted in the near future, which should define the remaining procedural issues.

The work group formed by the Ministry of Justice prepared the final text of the draft version of the Law on Co-operation with the ICT at the beginning of this year.

The representatives of the Republic of Serbia take an active part in the working bodies of the Assembly of the member states, as well as in other diplomatic institutions dealing with the current issues of the co-operation with the ICT.

So far the Republic of Serbia rejected all the initiatives to conclude bilateral agreements to take over the obligation of any exemptions in respect of certain provisions of the Roma Statute.

3.31.3. Arms control

3.31.3.1. State of Affairs

In accordance with its security and foreign policy goals and priorities, the Republic of Serbia has been making efforts to harmonise its activities and legislation with the standards of the EU in the field of arms control, non-proliferation, etc. It strictly respects the international obligations and meets them duly.

3.31.3.1.1. Legislation Framework

The Republic of Serbia has ratified the largest number of the international treaties and conventions relating to this field and it has been among the first member states of the UN to send its response within the specified term to the UN Secretary General regarding the UN General Assembly Resolution 61/89 of 6 December 2006 – Towards the Arms Trade Treaty: Establishment of Common International Standards for Import, Export and Transfer of Conventional Arms (ATT) and in respect of the initiation of negotiations on the adoption of an international treaty on control of arms export.

In this respect the Republic of Serbia has ratified the following international treaties and conventions: Nuclear Non-Proliferation Treaty (NPT); the Convention of Physical Protection from Nuclear Material (CPPNM); the Comprehensive Treaty on Ban of Nuclear Tests (CTBT); the Chemical Weapons Convention (CWC); the Bacteriological/Biological Toxin Weapons Convention (BTCW); the Protocol on Ban of Use of Suffocating, Poisonous or Other Gases in War, as well as the bacteriological war methods/The Geneva Protocol 1925; the Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons (CCW); the Convention on Prohibition of Landmines (the Ottawa Convention); the Treaty on Subregional Arms Control/The Florence Treaty 1996; the Hague Code of Conduct against Ballistic Missile Proliferation (HCC); The Vienna Document on Confidence and Security-building Measures 99 (CSBM); The UN Action Plan for Suppression and Eradication of Small Arms and Light Weapons (UNPoA-SALW); The UN Fire Arms Protocol; The OSCE Document on Small Arms and Light Weapons (SALW), as well as other relevant decisions by OSCE in this field – on storage of conventional weapons; on MANPADS; End User Certification; on Brokering, etc.

Also, the Republic of Serbia has adopted the principles contained in the EU Code of Conduct on Arms Exports, which have been incorporated in the Law on Trade with Arms, Military Equipment and Dual-Use Goods.

As regards the UN Security Council Resolution 1540, the Republic of Serbia has submitted the required information in due time, as well as the responses to other questionnaires relating to its implementation.

In order to keep the national security, respect the relevant resolutions of the UN Security Council, the international conventions and treaties, the Republic of Serbia consistently implements the valid standard in the field of non-proliferation of weapons for mass destruction (WMD). The national control system of export of arms, military equipment and dual-use goods, which is legally harmonised with the relevant regulations of the European Union and OSCE, presents a necessary instrument to strengthen precaution, prevent spreading of WMD and the capability of non-state actors to procure illegally exported goods and technologies.

The Republic of Serbia also accessed the Proliferation Security Initiative (PSI) in 2006, the Global Initiative to combat nuclear terrorism in 2007, and there has been an initiation to start the procedure to commence negotiations for the accession of the Republic of Serbia to the international arrangements on export control - Wassenaar Arrangements, Nuclear Suppliers Group/NSG, Australian Group, etc.

The commencement of the procedure for the adoption of the Government declaration on accession to the principles and criteria of the EU Code of Conduct on Arms Exports is in progress.

International co-operation in arms control:

Co-operation with the International Atomic Energy Agency (IAEA)

The Republic of Serbia fulfills all the obligations to the International Atomic Energy Agency. In the context of its clearly expressed dedication to remove from the territory of the Republic of Serbia all the remaining matter, which might serve for the production of weapons for mass destruction (WMD), the Ministry of Science and the VINČA Institute of Nuclear Sciences, under the support of the International Atomic Energy Agency (IAEA), have prepared the VIND 2002 programme of nuclear decommissioning, which includes 5 stages: a) Removal, characterisation and re-packing of used nuclear fuel at the VINČA Institute warehouse; b) Transport preparation and transport of used nuclear fuel of Russian origin from the VINČA Institute to the Russian federation; c) Re-processing and disposal of used nuclear fuel of Russian origin in the Russian Federation; d) Designing and construction of a processing plant and e) Storage of waste at the VINČA Institute for all types of radio-active waste, which shall result from decommissioning of the RA research nuclear reactor. For the implementation of the VIND project it is very important to sign the three party agreement between IAEA - The Consortium of Russian Companies – The VINČA Institute on re-packing and transport of used nuclear fuel, as well as to conclude the multi-lateral transit agreement with Hungary, Ukraine and Russia.

Full implementation of the Convention on Prohibition of Chemical Weapons (CWC) and Co-operation with the Organisation on Prohibition of Chemical Weapons

The Law on Implementation of the Convention on Prohibition of Chemical Weapons (CWC) was adopted in October 2005. With the aim to promote the application of the Convention, a new proposal of this law had been prepared, which was submitted to the Parliament at the end of 2007 and it is expected to be adopted in the course of 2008. The Republic of Serbia has completely fulfilled its obligations pursuant to this convention, it regularly submits annual declarations and meets all other requirements related to its implementation.

The Ministry of Defence, through the Military Medical Academy, and the Army of Serbia, through the ABHO Centre in Kruševac, accomplish close co-operation with the OPCW by arranging and implementing international courses for the co-operation and assistance against the use of chemical weapons and the training of inspectors of this organisation. At the sessions of the OPCW the Republic of Serbia joins the common declarations of the EU countries on the subject of implementation of CWC, and within its Mission to the OPCW it also has a representative of the Ministry of Defence.

Full implementation of the Convention on Prohibition of Bacteriological/Biological and Toxic Weapons (BTCW)

Having respect for the recommendations of the VI Conference on the evaluation of application of the Convention on BTWC, the Government adopted a draft of the Law on Withdrawal of Reserve on the Protocol on the Prohibition of the Use of Suffocating, Poisonous and Other Gases in War Time, as well as the prohibition of bacteriological war methods/The Geneva Protocol 1925 and submitted it to the National Parliament for adoption. Also, the preparation of the draft of the Law on Application of BTWC is at its final stage.

The Republic of Serbia regularly submits annual reports on the confidence building measures (CBM) relating to the application of this Convention and regularly joins the declarations of the EU countries on the subject of implementation of BTWC at the conferences for the evaluation of the application of the Convention, annual meetings and expert meetings.

Co-operation with the Temporary Secretariat of the Organisation on Prohibition of Nuclear Tests /PTS CTBTO

The Federal Republic of Yugoslavia, namely the Republic of Serbia, as the successor country, ratified the Comprehensive Nuclear Test Ban Treaty (CTBT) on 19 May 2004. It also established a focal point for the co-operation with this organisation, which is the Republic Seismic Institute, through which the programmes of activities with this organisation is implemented.

In 2007 the Republic of Serbia submitted for the first time the annual declaration concerning the applications of the Hague Code of Conduct against Spreading of Balistic Missiles.

As regards the cassette munition, the Republic of Serbia makes efforts to adopt a comprehensive solution, both within the framework of the Convention on some types of conventional weapons (CCW) and within the so-called Oslo process. In these negotiations the Republic of Serbia advocates that the future document includes the provisions clearly specifying the financial and other obligations of those that had used the cassette munition. As the victim country of the use of cassette munition, the Republic of Serbia has special interest that the document includes precise provisions concerning rendering assistance

to the same (in all relevant aspects: cleaning and destroying stocks of cassette munition, psychosociological rehabilitation and economic reintegration of the survivors). The Republic of Serbia is among those countries that have supported the Oslo process since its beginning with the aim to achieve an adequate solution of this problem. Also, it supports the negotiations held within the frame of the Convention on some types of conventional weapons (CCW) for the Republic of Serbia finds these two processes complementary. In this regard, the Republic of Serbia joined the declarations of the EU countries at the annual meetings of the Convention on Some Types of Conventional Weapons (CCW).

Sub-regional Arms Control

The Republic of Serbia duly and at quality level performs its obligations relating to the Treaty on Sub-regional Arms Control (Article IV Annex 1-B of the Dayton Treaty), which is estimated to be implemented in the area of the arms control in the best way. The representatives of the Republic of Serbia Републике have significantly contributed to the promotion of the implementation of this treaty, to the building of mutual confidence, stability and transparency and the activities of the Conference on Evaluation of Inspection, the Sub-regional Consultancy Commission and the Permanent Work Group. All the obligations prescribed by this Treaty are fulfilled according to the agreed schedule and in due time.

The Ministers of Foreign Affairs of Serbia and Montenegro signed the Bilateral Agreement on Principles and Procedures for the application of the Sub-regional Arms Control Treaty in Podgorica on 6 July 2007, on which basis the two parties defined the new limits for five categories of arms subject to limitation.

The First Committee of the UN General Assembly (disarmament and international co-operation)

The Republic of Serbia carefully monitors and actively participates in the activities of the First Committee, as well as in the activities concerning its reform, regularly comes out with speeches at its sessions regarding the subject problems, sponsors relevant resolutions, and on the occasion of voting it also co-ordinates with the EU countries. Also, it monitors the activities of the Conference on Disarmament and plans to declare its candidature in order to settle its membership in this important body of the UN in the realm of disarmament.

Small Arms and Light Weapons(SALW)

The Republic of Serbia fulfills in full all its obligations on the grounds of the UN Action Plan on Eradication and Suppression of Small Arms and Light Weapons, the OSCE Document on Small Arms and Light Weapons and other relevant decisions. In this regard, it regularly submits its annual reports.

The process of finalisation of the preparation of the Small Arms and Light Weapons Strategy of the Republic of Serbia, as well as the adoption of the Action Plan are in progress, which will be followed by the submission of these documents to the Government for adoption. The conditions to appoint the national Body for the application of these documents will be created after the adoption of these documents.

The Obligations Pursuant to the Ottawa Convention on Anti-Personnel Mines

The State Union of Serbia and Montenegro accessed the Ottawa Convention on Anti-Personnel mines in 2003, which was ratified by the Republic of Serbia in 2004. The Republic of Serbia, as the legal successor of Serbia and Montenegro, inherited the membership in this Convention the application of

which has achieved satisfactory concrete results in the past period, primarily at the level of destruction of stored anti-personnel mines, but at the level of demining and rendering assistance to the victims of AP-mines as well. The greatest positive result of Serbia in this realm within the past period is the duly fulfilment of obligations prescribed by Article 4 of the Convention. Destruction of the last of 1.6 million stockpiled mines that were in the possession of the Army of the Republic of Serbia was completed in May 2007 in co-operation with the specialised NATO Maintenance and Supply Agency (NAMSA) and by utilising the international funds.

The obligation of demining of the remaining areas polluted with anti-personnel mines is carried out as planned. The efficiency of this process will also depend on the inflow of donations (the USA, Norway, Austria, Canada, etc.). An adequate attention is also paid to the segment of assistance to the victims by the Ministry of Health and by the specialised medical institutions (medical rehabilitation, artificial limbs, social reintegration). The Republic of Serbia fully meets the requirements of reporting according to the relevant articles of the Ottawa Convention and joins the declarations of the EU at the annual meetings for the implementation of the Ottawa Convention.

Control of Arms Exports

The National Legislation in the Field of Goods Export Control consists of:

1. The Law on Arms, Military Equipment and Dual-Use Goods Exports;
2. Secondary laws;
3. Other regulations of influence to this field;
4. Ratified international conventions and treaties.

The Law on Arms, Military Equipment and Dual-Use Goods Exports (which started to be enforced as from 31 March 2005) defines the methods and conditions of performance of such activities, the competence for issuance of necessary permits for export and import, transport, transit, mediation and rendering of services in foreign trade, supervision and control, bans, as well as the authorisations for adoption of secondary legal regulations. The law strictly prohibits foreign trade, transport, transit, possession of nuclear, chemical or biological weapons and means for their launching in compliance with the UN Security Council Resolution 1540. By the system of export control, the established law and secondary regulations, the Republic of Serbia approached the norms and standards of the EU in this field. By the adoption of the mentioned legislation a significant step forward has been made in the establishment of the state control and respect for undertaken international obligations. This law incorporates the principles and the criteria of the EU Code of Conduct on Arms Exports. For the first time, the control of export and import of the dual-use goods has also been introduced and the national check lists of goods requiring permits have been defined, which are fully in compliance with the EU lists from 2000.

The secondary laws define in more details the issues of the law. In this respect, the following regulations have been adopted:

1. Decision on determination of the national check list of arms and military equipment (harmonised with the Common Military List of the EU);
2. Decision on determination of the national check list of dual-use goods (harmonised with the List of Dual-Use Goods and Technologies of the EU, which integrates the lists of different international control regimes including the Wassenaar Arrangement-WA, the Missile Technology Control Regime-MTCR, the Nuclear Suppliers Group - NSG, the Australian Group-AG and the Chemical Weapons Convention-CWC);
3. Decision on the criteria for issuance of export permits for arms, military equipment and dual-use goods and
4. The Rules on Registry of Persons who might perform export of controlled goods.

The important goal of transparency in the public was achieved at the end of 2007 by the publication of the Annual Report on the Implementation of Export of Controlled Goods in 2005 and 2006, which was prepared by the Ministry of Economy and Regional development.

The Republic of Serbia strictly enforces the relevant resolutions of the UN Security Council on Embargoes on Arms Exports to certain countries. In order to harmonize its regulations in this field with the standards and practice of the EU, as well as to strengthen transparency measures, there have been some initiatives in progress to adopt the Law on International Restrictive Measures (Sanctions).

3.31.3.1.2. Institutional Framework

Within the Ministry of Foreign Affairs there is the General Directorate for the NATO and defence matters, which includes the Armament Control Directorate.

Within the Ministry of Defence, in the Defence Policy Sector, namely in its Directorate of International Military Co-operation there is the Verification Centre, which is in charge of the control of implementation of the OSCE Vienna Document from 1999 on the measures for building of confidence and security. In addition to the Verification Centre, the department of Co-operation with International Organisations also performs the jobs concerning the control of armament and the implementation of the mentioned treaties and conventions.

3.31.3.2. Short-term Priorities

3.31.3.2.1. Legislative Framework

- Adoption of the National Strategy on the Small Arms and Light Weapons Action Plan (SALW);
- Initiation of negotiations to join international export control arrangements - the Wassenaar Arrangement-WA, the Missile Technology Control Regime-MTCR, the Nuclear Suppliers Group - NSG, the Australian Group-AG;
- Initiation of the procedure for the adoption of the Government's declaration to access the principles and the criteria of the EU Code of Conduct on Arms Exports;
- Adoption of the new Law on Enforcement of the Convention on Prohibition of Chemical Weapons (CWC);
- Activities on modernisation of the Law on Arms, Military Equipment and Dual-Use Goods Exports;
- Preparation of the Action Plan on the implementation of the Resolution 1540;
- Preparation of the Strategy on WMD.

3.31.3.3. Mid-term Priorities

3.31.3.3.1. Legislative Framework

- Adoption of the Law on Implementation of the Convention on BTWC by the Government;
- Activities in respect of the adoption of the Law on Implementation of International Restrictive Measures (Sanctions).

3.31.3.4. Institutions

Capacity Building within the Ministry of Economy and Regional Development

Institution		State whether the institution exists or is planned	Present Number of Employees	Planned (total) Number of Employees (per years)				
				2008	2009	2010	2011	2012
The Ministry of Economy and Regional Development	Multilateral and Regional Trade and Economic Co-operation Sector	Existing	10	12	13	15	17	17
	Bilateral Economic Co-operation Sector	Existing	12	16	18	20	22	22
	Export Policy and Regime Sector	Existing	24	24	24	24	24	24
Total			46	52	55	59	63	63

3.31.4. Application of restrictive measures and of economic sanctions

3.31.4.1. State of Affairs

The Republic of Serbia enforces restrictive measures and economic sanctions to certain countries based on the resolutions of the UN and the international courts, in accordance with Article 16 of the Constitution of the Republic of Serbia, which acknowledges that the generally recognised rules of international law and the ratified international treaties are an integral part of the legal system of the Republic of Serbia and that they are directly enforced, as such.

The legal system of the Republic of Serbia does not yet include a legal act, which defines in general the issues of the implementatino of restrictive measures and sanctions, so there is need to define this matter in uniformed manner in accordance with the standards of the state members of the EU.

Bearing in mind the existing legislative framework of the Republic of Serbia, the implementation of restrictive measures, in the sense of imposing an embargo on the export of arms to certain countries, according to the UN Security Council Resolution, is carried out based on the Law on Arms, Military Equipment and Dual-Use Goods Exports, by-laws and other regulations of influence to this field, as well as on the grounds of the ratified international conventions and treaties.

The Law on Arms, Military Equipment and Dual-Use Goods Exports (whose enforcement started on 31 March 2005) defines the methods and the conditions of performance of such activities, the competences for the issuance of necessary permits for export and import, transport, transit, mediation and rendering of services in foreign trade, supervision and control, bans, as well as the authorisations for adoption of secondary legal regulations.

By the system of export control, the established law and secondary regulations, the Republic of Serbia approached the norms and standards of the EU in this field. By the adoption of the mentioned legislation a significant step forward has been made in the establishment of the state control and respect for undertaken international obligations. This law incorporates the principles and the criteria of the EU Code of Conduct on Arms Exports. For the first time, the control of export and import of the dual-use

goods has also been introduced and the national check lists of goods requiring permits have been defined, which are fully in compliance with the EU lists from 2000.

The secondary laws define in more details the issues of the law. In this respect, the following regulations have been adopted:

1. Decision on determination of the national check list of arms and military equipment (harmonised with the Common Military List of the EU);
2. Decision on determination of the national check list of dual-use goods (harmonised with the List of Dual-Use Goods and Technologies of the EU, which integrates the lists of different international control regimes including the Wassenaar Arrangement-WA, the Missile Technology Control Regime-MTCR, the Nuclear Suppliers Group - NSG, the Australian Group-AG and the Chemical Weapons Convention-CWC);
3. Decision on the criteria for issuance of export permits for arms, military equipment and dual-use goods and
4. The Rules on Registry of Persons who might perform export of controlled goods.

SHORT-TERM PRIORITIES

1. Establishment of an inter-line work group for the adoption of the Law International Restrictive Measures (Sanctions). The Ministry of Foreign Affairs, the Ministry of Interior, the Ministry of Economy and regional Development, the Ministry of Finances, the Ministry of Defence will be the members of this work group. The new law will prescribe the application, implementation and suspension of restrictive measures, role, responsibility and method of decision making by some state authorities and courts, keeping of adequate records. It will be taken into account that the new law will not violate the international norms and standards of human rights protection, as well as that it will be a unique entity with the regulations in the fields of movement and stay of foreigners, arms and military equipment trade, as well as with the provisions of criminal law.

2. Initiation of the procedure for the for the adoption of the Government's declaration to access the principles and the criteria of the EU Code of Conduct on Arms Exports;

MID-TERM PRIORITIES

1. Adoption of the Law on International Restrictive Measures (Sanctions).
2. Data base keeping on the existing and newly introduced restrictive measures (sanctions) by the UN and the EU.

3.31.4.2. Institutions

The capacity strengthening of the Ministry of Foreign Affairs in the form of restructuring of the personnel within the Ministry (strengthening of directorate general, which will be mostly included in the activities according to the following schedule:

Institution		State whether the institution is existing or planned	Present Number of Employees	<i>Planned (total) Number of Employees (per years)</i>				
				2008	2009	2010	2011	2012
The Ministry of Foreign Affairs	EUDG	Existing	33	33	34	35	36	37
	NATODG	Existing	27	27	27	28	28	29
	SMPP	Existing	14	14	16	18	20	22

Total		74	74	77	81	84	88
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3.31.5. Combating terrorism

3.31.6. European security and defense policy (ESDP)

3.31.6.1. State of Affairs

The Republic of Serbia continues to improve the dialogue with the European Union and reforms its civil and military capacities in order to be, *inter alia*, ready to take over the obligations, after the duly membership, resulting from the European security and defence policy and to participate in the operations of crisis management under the leadership of the EU. The Republic of Serbia carries out a comprehensive reform of security and defence system, in accordance with the Defence Strategy. It is expected that by the end of 2008 the Strategy of National Security, the new Defence Strategy and the Strategic Review of Defence, which attempt to affirm the security interests of the Republic of Serbia in a modern way, and the co-operation concept in the sphere of security would have been adopted. It has been planned that the entire process of transformation would have been completed by the end of 2010.

3.31.6.1.1. Legislative Framework

The legislative framework of the Republic of Serbia in the field of security and defence policy consists of the following documents: the Constitution, the Law on Ministries, the Law on Defence, the Law on the Army of Serbia, The Law on Basis of Intelligence Services, the Law on Participation of the Officers of the Army of Serbia and Montenegro, the Civil Defence Staff and the Employees of Administration of the Council of Ministers in Peace Operations and Other Activities Abroad, etc.

The Constitution of the Republic of Serbia (The Official Bulletin of RS, No. 98/06) defines that the foreign policy of the Republic of Serbia is grounded on the generally recognised principles and rules of the international law. The generally recognised rules of the international law and the accepted international treaties are an integral part of the legal system of the Republic of Serbia and they are directly applied. The accepted international treaties must be in accordance with the Constitution. As the highest legal act, the Constitution prescribes the competences of the Army of Serbia as well as its use outside the borders of the country. The Constitution prescribes that the Army is under the democratic and civil control.

On the grounds of the Law on the Government (The Official Bulletin of RS, Nos. 55/05, 71/05 and 101/07) the Government implements the policy of the Republic of Serbia within the framework of the Constitution and the laws adopted by the National Parliament.

The Government implements laws and other general acts of the National Parliament by adopting general and individual legal acts and by undertaking other measures.

The Law on Ministries (The Official Bulletin of RS, No. 43/07) prescribes that the Ministry of Defence performs, in addition to other activities, the activities of the state administration as well relating to the defence policy, strategic planning and the international co-operation in the field of defence and military co-operation.

The Law on Defence (The Official Bulletin of RS, No. 116/07) prescribes that in the field of defence the Republic of Serbia accomplishes the co-operation with other states and the international organisations and institutions of the systems of national, regional and global security in peace development and peace keeping all over the world and fulfils the obligations resulting from the membership in the United Nations and from the obligations undertaken by the accepted international treaties. This law also

prescribes the possibility of accomplishing the defence of the country by taking part in the multi-national operations.

The Law on the Army of Serbia (The Official Bulletin of RS, No. 116/07) defines the Army of Serbia as organised armed forces, which defends the country from armed dangers from abroad and performs other missions and tasks, in compliance with the Constitution, law and the principles of the international law governing the use of force. This law defines the use of the Army of Serbia outside the border of the Republic of Serbia Републике as well as the rights of persons servicing in the multi-national operations.

The Law on the Basis of Intelligence Services of the Republic of Serbia (The Official Bulletin of RS, No. 116/07) defines the grounds of security-intelligence system of the Republic of Serbia, the directions and the compliance of the activities of the intelligence services in the Republic of Serbia and the supervision of their activities. The National Security Council (hereinafter referred to as the Council) as the body of the Republic of Serbia performing certain activities and tasks in the field of the national security has also been established.

The Council takes care of the national security doing the following: it reviews the co-operation between the bodies in charge of defence and the co-operation with the intelligence authorities and services of foreign countries and international organisations. The Council directs and co-ordinates the activities of the intelligence services, brings conclusions to direct the co-operation of the intelligence services with the intelligence services of foreign countries and international organisations, brings decision to co-ordinate the activities of the state authorities dedicated to the international co-operation in the field of the national security and defence.

The activities of the intelligence service si under the democratic civil control of the National Parliament, the President of the Republic, the Government, the National Security Council, other state authorities and the public.

The Law on Participation of the Officers of the Army of Serbia and Montenegro, the Civil Defence Staff and the Employees of Administration of the Council of Ministers in Peace Operations and Other Activities Abroad (The Official Gazette of Serbia and Montenegro, No. 61/04). This law governs the preparation, participation and withdrawal of professional officers of the Army of Serbia and Montenegro, the civil defence staff and the employees of the administration of the Council of Ministers in peace keeping operations and other activities abroad as well as the rights and obligations of such persons, namely of the staff being appointed for the missions.

The Law on Conclusion and Implementation of International Treaties (The Official Gazette of the SFRY, No. 55/78). This law governs the method, the conditions and the procedure, as well as the competences for the conclusion and implementation of the international treaties.

The National Parliament of the Republic of Serbia (Serbia and Montenegro) has so far ratified several treaties with the memembr states of the European Unino and the states in the region of the South-East Europe, as well as with NATO, concerning the co-operation in the field of defence, namely to the military-technical and the military-economic co-operations with:

- The Republic of Romania (ratified on 21 March 2005; entered into force after publishing in the Official Gazette of Serbia and Montenegro - MU No. 2/05);
- The Kingdom of Belgium (ratified on 5 March 2004; entered into force after publishing in the Official Gazette of Serbia and Montenegro - MU No. 3/2004);
- The Republic of Italy (ratified on 19 November 2003; entered into force after publishing in the Official Gazette of Serbia and Montenegro - MU No. 14/2004; Italy ratified the treaty on 9 December 2005);

- The Republic of Hungary (ratified on 22 October 2005; entered into force after publishing in the Official Gazette of Serbia and Montenegro – MU No. 11/05);
- The Czech Republic (ratified on 22 October 2005; entered into force after publishing in the Official Gazette of Serbia and Montenegro – MU No. 11/05; the treaty ratified in Czechia and entered into force on 14 November 2005),
- The Republic of Turkey (ratified on 22 December 2004; entered into force after publishing in the Official Gazette of Serbia and Montenegro – MU No. 22/2004) and
- Bosnia and Herzegovina (ratified and entered into force after publishing in the Official Gazette No. 14/05 – Internatioanl Treaties).

The Agreement between the Council of Ministers and the North Atlantic Treaty Organisation (NATO) on Transit Arrangements for the Peace Support Operations was ratified on 4 November 2005. Also, by the exchange of letetrs between the Republic of Serbia and NATO, the Agreement on the Opening of NATO Military Liaison Office in Belgrade was signed on 18 December 2006.

Concerning the institutional (legislative) co-operation with the European Union and its military forces, the fact that in January 2006 the Technical Agreement between the EU Forces (EUFOR) and the Council of Ministers of Serbia and Montenegro on Transit Arrangements was concluded and signed between the EUFOR in Bosnia and Herzegovina and the Council of Ministers of Srbia and Montenegro of exceptional importance and this is the first agreement that the Republic of Serbia (Serbia and Montenegro) had concluded with the EU.

All these laws and signed and ratified international treaties, contracts and arrangements have provided elementary assumptions for the further promotion of relations with the EU and the conclusion of future agreements on the aprticipation of the forces of the Army of Serbia in peace keeping operations under the leadership of the EU, as well as for the acceptance of a large number of decisions in the area of the European Security and defence policy.

3.31.6.1.2. Institutional Framework

The Constitution of the Republic of Serbia prescribes the competences of the National Parliament of the Republic of Serbia, the Government, and the Army of Serbia, and other separate laws govern the competences of the National Security Council, the Ministry of Foreign Affairs and the Ministry of Defence in the area of the Security and defence policy.

Having respect for the importance of promotion of relations with the EU, the Ministry of Defence makes efforts to strengthen its institutional capacities and provide resources, which are necessary for the inclusion into the activities of the European security and defence policy.

In this respect, the Ministry of Defence, within the Defence Policy Sector, has the Directorate of International Military Co-operation, namely a section dealing with the co-operation with the international organisations including the EU as well. The mentioned directorate also includes the Verification Centre, which is in charge of control of the implementation of the OSCE Vienna Document from 1999 on the measures for building confidence and security. Within the Army of Serbia, at the Cabinet of the Head of the Supreme Headquarters, a section for the international military co-operation and procedural issues has been formed, and the Centre for Peace Keeping Operations with the task to qualify the personnel of the Army of Serbia and perform military training for the participation in the peace missions of the UN has been opened at the Military Headquarters.

The participation of the Army of Serbia in the peace keeping missions of the UN and in the international security forces is an important element of the foreign and security policy of the Republic of Serbia as a content of international co-operation and inclusion of the country into the international integration processes. At the same time, it largely contributes to the treatment of the Republic of Serbia in relations with the NATO states, the EU and the members states of the Partnership for Peace as an equal partner, which actively contributes to peace keeping and stability in the region and in the world.

The Ministry of Defence and the Army of Serbia, based on the agreements concluded with the UN in the course of 2003, 2004, 2005, 2006 and 2007, have been participating in three peace missions with nine military observers in total in peace keeping operations (UNMIL in Liberia, three officers and UNOCI in Côte d'Ivoire, six officers) and one medical team, consisting of 2 doctors and 4 medical technicians MONUC (AMET – 10) peace keeping mission in the Democratic Republic of Congo. In this sense, 15 officers of the Ministry of Defence and the Army of Serbia have been engaged at present.

As for the UN programmes regarding arms control, the Republic of Serbia actively participates in the implementation of the UN Programme of Action to Prevent, Combat, and Eradicate the Illicit Trade in Small Arms and Light Weapons (SALW) and supervises the implementation of the UN Convention on Prohibition of Use and Proliferation of Anti-Personnel – The Ottawa Convention on Prohibition of Use and Proliferation of Certain Conventional Weapons (CCW) and Biological Weapons Convention (BWC) and Chemical Weapons Convention(CWC).

The activities of the Ministry of Defence within the framework of co-operation with the Organisation for Security and Co-operation in Europe (OSCE), primarily in the field of arms control, are monitored through the military representative at the Permanent Mission of the Republic of Serbia to OSCE in Vienna, and their concrete implementation is mostly monitored by the Verification Centre of the Ministry of Defence. Thanks to the Mission of OSCE in Belgrade, the co-operation has been achieved in many projects, which have a regional character, and they especially concern the assistance in formulation of proposals of new legal solutions in the reform process of defence system and qualifying of the society structures to perform its civil monitoring.

By signing the Treaty on the Establishment of the Common Air Space with the EU on 29 June 2006, the Republic of Serbia undertook the obligation to start the re-organisation of its own air space into the Functional Air Block/Blocks (FAB) and to provide flexible use of its own air space (FUA).

As for the regional initiatives, the Republic of Serbia (the Ministry of Defence) actively participates in the capacity of a member or of an observer in several regional initiatives, which have the function of both regional and major security integrations, of particular importance among them are: the Regional Co-operation Council (RCC), which resulted from the transformation of the South-East Europe Stability Pact, the South East Europe Co-operation Programme (SEECOP), the South East Europe Defence Ministerial (SEDM), the South East Europe Clearinghouse (SEEC) and other.

The members of the Ministry of Defence and the Army of Serbia attend supreme headquarters and command headquarters schools and advanced trainings, language courses, training courses for the participation in the multi-national operations, security-political courses, and they also take part at the international seminars and conferences. In addition, the Ministry of Defence and the Army of Serbia also send their members to attend courses of civil-military relations, planning, programming, budget making and implementation, safety of flying, border control, rights in war conflicts, atomic-chemical-biological defence, as well as the courses for special forces and other. For example, in the course of 2007, 146 various forms of education, advanced trainings and courses abroad have been implemented.

The majority of the above mentioned forms of education and advanced training are implemented in the countries of the EU, such as: France, Great Britain, Greece, Italy, Germany, Denmark, Austria, Czekia, Holland, Slovakia and their aim is further training of the personnel of the Ministry of Defence.

In the course of 2006 and 2007, the Ministry of Defence has arranged, in co-operation with the ministries of defence of other countries, several seminars on the European security and defence policy. As regards the strengthening of institutional and administrative capacities, the Ministry of Defence co-operates with the Ministry of Foreign Affairs and the European Integration Office of the Government of the Republic of Serbia.

3.31.6.2. Short-term Priorities (2008-2009)

3.31.6.2.1. Legislation

1. Preparation and adoption of the Law on Participation of the Officers of the Army of Serbia, the Civil Defence Staff and the Employees of the State Administration in Peace Operations and Other Activities Abroad.

Since the Republic of Serbia is the successor state of the State Union of Serbia and Montenegro (after the independence of the Republic of Montenegro), it is necessary to adopt the above mentioned law to govern the preparation and participation of professional officers of the Army of Serbia, the civil defence staff and the employees of the state administration in peace operations and other activities abroad, as well as their rights and obligations.

2. Preparation and Adoption of the Law on Confidential Data Classification and Protection

In order to strengthen the institutional co-operation with the EU in the realm of security, and with the aim to sign an agreement on the exchange of confidential data with the EU, it is necessary to adopt the subject law within the forthcoming period. Several ministries are in charge of the preparation of this law and the Government will appoint the main actors. If there is no such law it is not possible to participate in the implementation of the programmes and the activities related to the accomplishment of the European security and defence policies.

3. Preparation and Adoption of the Law on Personal Data Protection

The Law on Personal Data Protection from 1998 has been in force in the Republic of Serbia. The mentioned law was adopted based on the provisions of the Convention 108 of the Council of Europe. However, this law does not provide the implementation of a series of requirements defined in the Directive from 1995. This law is important for the provision of the participation of the members of the Ministry of Defence and the Army of Serbia in peace keeping and other operations carried out by the EU.

Institutions

On short-term basis, the Ministry of Defence has been planning to establish a new organisational structure and classification of jobs by forming the Section (Group) for European Integration and Regional Initiative within the Department of Multi-lateral Activities of the Directorate of International (Military) Co-operation of the Defence Policy Sector. Also, it has been foreseen to assign a (military) representative of the Ministry of Defence of the Republic of Serbia to be a part of the Mission of the Republic of Serbia to the EU or the Mission of the Republic of Serbia to NATO, who would perform the functions relating to the European integrations in the field of defence. The decision on this assignment will be adopted subsequently.

3.31.6.3. Mid-term Priorities (2010-2011)

3.31.6.3.1. Legislation

In order to meet the necessary requirements of faster accession of the Republic of Serbia to the EU and major international integration initiatives and organisations, the preparation and the adoption of the below stated laws are of particular importance as mid-term priorities:

1. the Law on Civil Defence,
2. the Law on Crisis Management and,
3. the Law on the Conclusion of International Treaties.

The preparation and the adoption of the Law on Civil Defence and the Law on Crisis Management would make it possible to establish a legal framework for the engagement of the members of the Ministry of Defence and the Army of Serbia in the performance of their third mission regarding the assistance to civil population, and it is linked with the Law on Participation of Professional Members of the Army of Serbia, the Civil Defence Staff and the Employees of the State Administration in Peace Operations and Other Activities Abroad (the preparation of this law has been foreseen as a short-term priority).

Institutions

The organisational changes within the Ministry of Defence will take place in compliance with the schedule of the European integration process of the Republic of Serbia and the role of the Ministry of Defence and the Army of Serbia in this process.

Employment and training Schedule:

Table 1: Employment and Training Schedule at the Ministry of Defence:

Unit of the Ministry of Defence	Existing/ Planned	Present Number of Employees	Planned (total) Number of Employees (per years)				
			2008	2009	2010	2011	2012
Minister of Defence Cabinet	Existing	1	1	1	2	2	2
Secretariat	Existing	1	1	3	3	4	5
Defence Policy Sector	Existing	4	5	5	8	8	9
Army of Serbia Supreme Headquarters	Existing	1	1	1	2	2	3

Directorate of Emergencies	Existing	1	1	1	2	2	2
Budget and Finance Directorate	Existing	1	1	2	2	3	3
Material Resources Sector	Existing	1	1	2	2	2	3
Human Resources Sector	Existing	0	1	1	1	2	2
TOTAL	-	10	12	16	22	25	29

Financial Requirements

Table 2A. The Budget of the Ministry of Defence (in RSD)

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities					
Institution Building (premises, people, equipment ...)	11,250,000	13,700,000	18,850,000	20,960,000	24,400,000
Infrastructure	-	-	-	-	-

The Budget of the Ministry of Defence – Foreign Sources (*Twinning*, Technical Assistance, IPA/bilateral)

The Ministry of Defence has been planning to secure foreign assistance by preparing certain concrete projects and donations in the spheres such as the assistance in transition and building of defence capacities, international co-operation in the field of defence and development of human resources.

Short-term priorities of the Ministry of Defence include the provision of foreign assistance to equip the Department of European Integrations and Regional Initiative of the Directorate of International (Military) Co-operation of the defence Policy Sector, other departments, groups and personnel of the Ministry of Defence and the Army of Serbia engaged in the process of adoption and implementation of the regulations of the EU, as well as for their education and training.

3.31.7. Visa system

3.32. FINANCIAL AUDITS

3.32.1. Foreign (state) audits

General evaluation of the current state of play

Late in November 2005 the National Assembly of the Republic of Serbia adopted the Law on the State Auditing Institution (“Official Gazette of RS” Nos. 101/05 and 54/07) (hereinafter referred to as: the Law). Under this Law, the State Auditing Institution was established (hereinafter referred to as: the Institution) as the highest state body for auditing public finances in the Republic of Serbia, its scope of activity was defined and its legal status, competences, organization and mode of operation were determined. Under the Law, the Institution is an autonomous and independent body.

Under the Law, the Institution’s highest body is its Council, a collegiate body made up of 5 members (President, Vice-President and 3 members). In line with the Law, the appointment of the Council members was to be made within 6 months as of the effective date of the Law, i.e. by June 2006. The National Assembly failed to appoint the Council within the set time limit and the Council of the State Auditing Institution was only appointed on 24 September 2007. The Council members are the functionaries of the Institution, are in its permanent employ and a Council member’s office is incompatible with discharging duties and functions at other bodies and organizations or with the performance of any other paid-for duties.

For the time being, the only persons employed at this Institution are the members of the Council and, as a result, there are only 5 employed officials hired for an indefinite time period. Under the Law, the Institution is to have auditing and supporting services which should have been set up by no later than 24 March 2008. Due to the Institution’s current position (lack of appropriate premises that should have been found by the Government and its bodies as well as lack of equipment and means of labor) and the difficulties it has encountered, this has not been done so far.

Under the Law on the Budget of the Republic of Serbia for 2008 (“Official Gazette of RS” No. 123/2007), an allocation has been made for the Institution activities amounting to RSD 150,316,000. Compared to the amount the Institution has reported in its Proposed Financial Plan (RSD 296,376,000), this is merely 50.7 percent. The Ministry of Finance had earmarked the mentioned amount without consulting the Institution beforehand. This is why in 2008 the need will most probably arise to secure additional funding, especially if the Government fails to provide the Institution with the necessary and appropriate premises.

After the necessary premises, equipment and needed means of labor have been provided, an open public competition will be called to fill in vacancies and hire the applicants, primarily from the public sector or commercial auditing companies, who fulfill the requirements set out in the Law.

A) Regulatory framework

The Council has completed all the duties provided for by the Law. These duties are the pre-requisite for setting up the auditing services the mandate of which is to implement the auditing procedure. The following have been adopted:

- the Financial Plan of Funds for 2008 according to which RSD 293.7 million is required for the operation of the Institution. RSD 150.3 million has been earmarked in the budget of the Republic of Serbia, which is clearly not enough;
- the Rulebook on the Council's activities specifying the mode of operation of the Council as the Institution's highest collegiate body; the method of decision-making on the most important elements necessary for auditing to take place such as decision-making on an objection raised by the audited entity against the draft report on the completed audit, development of the auditing report, etc;
- The Rules of Procedure of the State Auditing Institution which regulate in more detail the auditing method and the procedure that the Institution follows in the exercise of its auditing competence; the method and the procedure of advising the public funds beneficiaries; the method of reporting to the National Assembly; the organization and membership of the Institution; the method of securing transparency of the Institution's activities. These Rules of Procedure cannot enter into force unless the National Assembly gives its approval and are a public document which has to be adhered to not only by the authorized officials carrying out audits but also by the entities being audited (the revised Rules);
- The Initial Program of Activities specifies how the Institution will use the funds which it will have at its disposal in performing its auditing activities; sets the priorities in carrying out audits; determines how to select the international professional associations and financial organizations with which the Institution will cooperate to enforce the Law and to train its human resources, determines how consultants also for other auditing activities will be selected;
- The Rulebook on the Low-value Public Procurement Procedure which regulate in more detail the procedure of public procurement of low-value goods as well as of the services and works required to meet the needs of the Institution as the authority placing orders and the method of record-keeping on contracts and other data on low-value public procurement procedures;
- The Rulebook on Internal Organization and Job Plan specifying the competence and organization of the auditing and supporting services and describing work tasks by type of work post.

The SAI (State Auditing Institution) Council has drawn up the Institution final financial report for 2007.

B) Institutional framework

The Council will carry on further activities in order to set up the auditing and supporting services and hire human resources. Eighty-nine (89) persons should be employed at the auditing services and 34 with the supporting services (the Council's Office and the President's Office, the service for general, personnel and legal affairs and the service for material-financial affairs). This would add up to 128 employees, the Council members inclusive.

The pre-requisite for setting up the auditing services is finding of business premises which the Government has failed to secure to date regardless of this being required under the Law. The Council members pursue their activities in the available meeting rooms of the National Assembly. Many letters and appeals in writing have been addressed to the competent authorities in order to tackle this problem but so far no solution has been found. The activities to find business premises and recruit personnel to work at the Institution services will be a priority in the coming period.

Further activities will include adoption of a regulation detailing the auditing procedure or, better to put it, stipulating the rules and guidelines for implementing individual auditing stages.

After personnel have been recruited, audits will commence based on the annual auditing program. Within the framework set out by the Law, the Institution will decide independently which entities to

audit, determine the subject of the audits, their scope and type, date of their commencement and their duration.

The Auditing Program covers the budget of the Republic of Serbia, the compulsory social insurance organizations, a number of institutions of local self-government, the operations of the National Bank of Serbia having to do with the use of public funds, a relevant number of public companies, corporations and other bodies corporate established by a direct or indirect beneficiary of public finances in whose capital and management such a beneficiary has a share. During the course of the calendar year the Institution may modify and supplement its auditing program. Audits with the mentioned entities will be performed as a must once a year upon its expiry. Such entities may, however, also be audited in the course of the year in order to examine the documents which precede the development of their final financial reports. This will be particularly interesting with respect to implementation of public procurement procedures.

The Law and the Rules of Procedure of the State Auditing Institution specify in a unique way the auditing procedure regardless of the audited entity's scope of activity, including even the control and supervision of entities in the security field.

In order to implement the Auditing Program, the Institution may commission the services of auditors from the state auditing institutions of other countries as well as a commercial auditing company. It is assessed that in the initial auditing procedures this opportunity, which is provided for by the Law, will certainly be made use of.

To execute its auditing program, the Institution will be allowed to use the reports on the completed audits issued by any commercial auditing company and/or, based on such reports, plan additional procedures with the entities subjected to audits.

1) Priorities

Procedure for further harmonization, adoption and amendment to regulations

In order to ensure good-quality and effective compliance with the obligations flowing from the Law, the activities geared at technical and professional capacity building will be intensified. Work will commence to create conditions to organize training for auditing personnel in order to make them appreciate the need to acquire the titles of Authorized State Auditor and State Auditor and acquire the necessary expertise and skills to carry out the audits which the Law requires should be performed in 2008.

Recognizing the needs in evidence at the Institution, a training curriculum and manual will be developed as a help to the auditing personnel to prepare themselves in a good-quality and efficient manner to take the exam and acquire relevant auditing titles.

By implementing its initial program of activities the Institution will seek to secure the cooperation with the authorized international professional and financial institutions. To achieve cooperation with international professional organizations in the area of accounting and auditing of the public sector, the Institution needs to adopt all the necessary regulations to enable it to function.

By September 2009 the Institution is required to adopt the curriculum for exams to be taken upon training and leading to the titles of State Auditor and Authorized State Auditor. The exam for acquiring the auditor's title will be taken according to the curriculum adopted by the Council and published in the "Official Gazette of RS". The curriculum of examinations should be in line with international standards, guidelines and documents for education of state auditors.

As for the regulatory framework specifying the competence of the Institution and the method of performing audits, it has been developed by drawing on experiences gained by developed countries. Since the Institution has not been fully set up and still lacks the auditing service, it is still not possible to evaluate whether some of the arrangements set out in the Law will cause difficulties in performing audits.

At present one feels the need to amend the Law as a matter of urgency in its part governing the salaries of the President, the Vice-President, members of the Institution's Council and the auditors performing audits with the beneficiaries of public funds.

There will also be a need to amend the Law in the part on the financing of the Institution that has no budget of its own but is financed out of the republic budget in the way and under the procedure prescribed for all other budgetary funds beneficiaries. The Institution has no account of its own either; instead, the funds for its operations are to held in a consolidated account of the Treasury of the Republic and the disbursement procedure takes place in the manner stipulated for to all other budgetary beneficiaries so that, in effect, it is the Treasury Directorate that controls payments also from the Institution's funds which, quite certainly, calls into question the latter's independence.

Pursuant to Article 3 of the Law, the Institution is an autonomous and independent public authority which reports on the activities from its purview to the National Assembly. Bearing in mind that it is within the Institution's competence to extend professional assistance to the National Assembly, the Government and other administrative bodies and promote its own independence, a proposal will be made to amend the Law to introduce the obligation for the Institution's President to attend Government sessions and be given the right to take part in debates without having a say in decision-making.

Promoting the fight against corruption

The Institution will carry out its activities in the manner stipulated by the rules of Procedure of the State Auditing Institution and in line with the international accounting standards for the public sector, international auditing standards and the INTOSAI standards as well as in line with the national regulations.

The Law has created conditions for implementing the auditing procedure with all public funds beneficiaries that become entities subject to auditing at the moment of such audits. There is no limit in terms of documents and other data which the entity subject to an audit must provide to the Institution's authorized official in the auditing procedure; this means that the first institutional framework has been put in place to combat corruption. The setting up of this Institution and establishing cooperation with other Government institutions are pre-requisites for efficient work to implement the Law.

As there is an important link between freedom of the media and the level of corruption, the obligation for the Institution to act transparently by submitting its annual activity report and special reports in the course of the year to the National Assembly; by giving press conferences; by providing information to the representatives of mass media; by issuing press releases, etc. may help curb corruption.

The Law (Articles 38 and 41) regulates how the Institution should act in cases having the characteristics of a criminal act.

The powers and actions which would be taken and exercised by the Institution should be viewed through the prism of its independence, specialization and the means available to the national authorities that are mobilized to prevent and combat corruption as defined under Article 10 point 3) of the GRECO Statute (Group of States for Combating Corruption of the Council of Europe) as well as through the prism of the actual definition of corruption as a criminal act.

For the Institution to be fully set up, the support of the international community will be required especially in order to prepare a training curriculum and train personnel for auditing procedure. According to our sources, the developed countries are making extensive use of particular software programs in performing the auditing procedure and according to plan as early as this year our needs in this component are to be determined.

Developing a communications and public information system

Creating a system for communications and exchange of information with local and international juridical persons and providing information to the public on how the Institution works are important segments of its activities.

In that context, the modalities, methods and use of good practices will be determined for communications and information-sharing with the National Assembly, the Government and the competent authorities as well as the type of education needed for employees to enable them to efficiently use the IT system for communications.

Conditions will be created for active communications and exchange of experience with the other supreme auditing institutions and other international organizations responsible for audits.

Arrangements will be made to develop the Institution's website.

In addition, in order to carry out the responsibilities set out in the Law in the area of operations transparency, the Institution will publish the necessary outreach and promotional materials and occasionally give press conferences.

Cooperation with authorized international trade and financial organizations

The aim of international cooperation is to operatively interlink organizations and professionals with their counterparts in other countries and their trade associations in order to:

- exchange expertise, experience, technical materials, documents and information so as to adopt the needed methodologies and good practices in the frame of the internationally accepted auditing standards;
- follow up modern trends in development of the auditing profession;
- develop bilateral relations with other state auditing institutions through joint seminars, visits by the representatives of other supreme auditing institutions to our Institution and vice-versa, through exchange of experience, documents and other information on the Institution being set up; and enable the Institution to perform its initial audits with the help of partners and consultants from such supreme auditing institutions.

2) Foreign aid funds

Activities are planned for 2008 to get financial and consultancy-based and technical support from foreign donor sources but also for the Institution capacity-building. The idea is to secure the needed financial resources as well as institutional cooperation and professional-technical help and assistance conducive to training of auditing personnel and setting up and developing the Institution.

Within the set time limit the Institution will adopt its education curriculum which will be followed by the training of first professionals. Likewise, as part of its responsibilities and in cooperation with the European Integration Office, we shall establish cooperation with the relevant authorities in order to draw EU funds from the Instrument for Pre-Accession Assistance (IPA) for setting up the Institution.

Cooperation is expected with SIGMA (an OECD- and European Commission-supported initiative) which took part in drafting the Law and will be requested to render assistance in further training of employees in the process of setting up the Institution. We will look into the possibility of establishing cooperation, together with SIGMA or under another project, and of getting the support of the Accounting Court of Slovenia or of another supreme auditing institution whose organizational model and auditing responsibilities suit our model the most.

Pending adoption of the education curriculum, the Council will select consultants for training state auditors primarily from the neighboring countries in the region as well as from the countries with developed market economies. To select a foreign consultant, the following will have to be engaged: an “older” mentor (one of the supreme auditing institutions with a wealth of experience in the field of giving professional and technical assistance in setting up similar institutions); and a “younger” mentor (one of the supreme auditing institutions whose model and regulatory framework within which they operate are similar to our own model).

Administrative capacities

The Institution now has 5 employees in permanent employ who are members of the Council of the State Auditing Institution whose number will remain unchanged until 2012. Further capacity-building of the Institution will take place at the pace indicated in the Table below.

Name of institution		Existing or planned institution	Total planned number of employees by year				
			2008	2009	2010	2011	2012
DRI	The Council	Existing	5	5	5	5	5
	Auditing service	Existing	50	113	133	170	200
	Supporting service	Existing	20	33	36	39	44
TOTAL			75	151	176	214	249

3.32.2. Internal audits

1) General evaluation of the current state of play

With the passage of the Law Amending the Law on the Budgetary System in October 2006 (“Official Gazette of RS” No. 85/2006) pre-requisites were put in place to regulate the area of internal audits in line with international internal auditing standards and the best practices in the EU. In order for internal auditors to carry out, based on risk assessment, the evaluation of the adequacy and effectiveness of the internal control system so that the goals of the organization can be achieved, a regulatory framework has been developed and actions taken for institutional capacity-building as indicated below.

A) Regulatory framework

The field of internal audits in the public sector in the Republic of Serbia is governed by the following laws and regulations:

- The Law on the Budgetary System (“Official Gazette of RS” Nos. 9/2002, 87/2002, 61/2005, 66/2005, 101/2005, 62/2006, 85/2006, 86/2006);
- The Rulebook of Common Criteria for Organizing and Standards and Methodological Instructions for Action by Internal Auditors in the Public Sector (“Official Gazette of RS” No. 82/2007);
- Internal Audits Manual which includes, *inter alia*:
 - Model for developing the Internal Audit Charter;
 - Model for developing the internal auditors’ Code of Ethics;
 - Model for developing the job plan and task description for internal auditors;
 - Model for developing the Strategic Annual Plan of Activities by Internal Auditors;
 - Presentation on the standards of the Internal Audit Institute;
 - Instructions for conducting interviews and evaluating internal control systems.

A) Institutional framework

The Ministry of Finance Department for Internal Audits is currently acting as the Central Department for Harmonization and has the mandate to elaborate regulations, implement training and monitor development of internal audits in the public sector. In early 2007 there were, at the central level 112 internal comptrollers and auditors at 25 public finance beneficiaries in the public sector of the Republic of Serbia.

To establish the internal auditing profession with the help of consultants operating under the project: Internal Financial Control and Internal Auditing – Stage 2 funded by the EAR, the trained local trainers implemented 7 training cycles covering 155 trainees from 48 public sector organizations. Training was split up into 4 modules, notably:

1. Introduction to internal audits;
2. Auditing skills;
3. Internal auditors’ interviewing and reporting skills;
4. Auditing of IT systems and concepts of embezzlement.

Work is currently under way to modify and adopt a new job plan and task description at the 21st-ranked largest public finance beneficiary on the central level in order to set up units for internal auditing.

2) Short-term priorities

A) Regulatory framework

In order to ensure further development of internal audits, the existing regulatory framework needs to be upgraded by drafting and adopting the following documents:

- the Strategy for Developing Internal Audits in the Public Sector;
- the Law on Internal Financial Controls in the Public Sector;
- the Rulebook on Testing Terms and Procedure to Acquire the Title: Authorized Internal Auditor in the Public Sector;
- the Curriculum for taking the exam to acquire the title: Authorized Internal Auditor in the Public Sector.

B) Institutional framework

The planned newly-established Internal Auditing Division with 6 employees within the Central Department for Harmonization would have as its mandate to develop and keep up to date the methodologies and standards; conduct training; and supervise the internal audits being introduced and developed in the public sector.

Setting up of internal audits departments at the level of cities and the Autonomous Province of Vojvodina.

Implementation of the curriculum for taking the exam leading to acquisition of the title: Authorized Internal Auditor in the Public Sector

2) Mid-term priorities

A) Regulatory framework

Regular updating of the rulebook, methodology and the manual to make internal audits work.

B) Institutional framework

Monitor, on a continuing basis, the development of internal audits and assess the needs for upgrading the organization and training of personnel in the field of internal audits. Provide continued training and implement the curriculum for the exam leading to the acquisition of the title: Authorized Internal Auditor in the Public Sector.

3.32.3. Public internal financial control (PIFC)

The comprehensive and efficient internal financial control system being established and developed in the public sector comprises financial management and control, internal auditing and central harmonization.

1) General evaluation of the current state of play

The purpose of introducing the financial management and control system is to improve financial management and decision-making in order to fulfill general objectives. The general objectives are the following: do business in a proper, ethical, economical, efficient and effective way; achieve compatibility of business practices with the laws, regulations, policies, plans and procedures; protect property and other resources against losses caused through mismanagement, unjustified spending and use; protect against irregularities and fraudulent activities; improve accountability for effective task execution; timely financial reporting and monitoring of business results.

In order to develop and apply the financial management and control system as a comprehensive internal control system, regulations have been passed and actions taken geared at institutional capacity building. They are listed below.

A) Regulatory framework

- Law on Budgetary System (“Official Gazette of RS” Nos. 9/2002, 87/2002, 61/2005, 66/2005, 101/2005, 62/2006, 85/2006 and 86/2006);
- Rulebook on Common Criteria and Standards for Establishing and Operation of the Financial Management and Control System in the Public Sector (“Official Gazette of RS” 82/2007);
- Manual on Financial Management and Control;
- Instructions for preparing the budget which are issued for every calendar year;
- Technical instructions on the Treasury activities as of April 2003;
- Rulebook on the Common Basic Principles, Criteria and Tasks for the Operation of the Financial Service of a Direct Beneficiary of Budgetary Funds (“Official Gazette of RS” 123/2003);
- Regulation on Budgetary Accounting (“Official Gazette of RS” Nos. 125/2003 and 12/2006);
- Rulebook on the Standard Classification Framework and the Chart of Accounts for the Budgetary System (“Official Gazette of RS” Nos. 20/2007, 37/2007, 50/2007 and 63/2007);
- Rulebook on How to Prepare, Draw Up and Submit Financial Reports on Budgetary Funds Beneficiaries and the Beneficiaries of the Funds of Compulsory Social Insurance (“Official Gazette of RS” 51/07 and 14/08);
- Rulebook on How to Use Funds from the Sub-account or Other Accounts of the Consolidated Account of the Treasury of the Republic and on How to Report on Investment of the Funds of the Budgetary Beneficiaries and Compulsory Social Insurance Organizations (“Official Gazette of RS” Nos. 3/2004, 140/2004 and 1/2006);
- Rulebook on the Terms and Method of Opening and Closing the Sub-account of the Consolidated Account of the Treasury with the treasury Directorate (“Official Gazette of RS” Nos. 92/2002 and 8/2006).

Under the laws and regulations governing the area of public administration and labor relations, the organizational structures have been set up, jobs described and criteria defined for monitoring labor performance and evaluating employees and the method of giving work assignments has been determined along with the lines of reporting. These key laws and regulations are the following:

- Law on Public Administration (“Official Gazette of RS” Nos. 79/05 and 101/07);
- Law on Civil Servants (“Official Gazette of RS” Nos. 79/05, ..., and 67/07);
- Regulation on the Principles for Internal Organization and the Systematic Job Description Plan and on the Government’s Special Organizations and Services (“Official Gazette of RS” No. 81/2007);
- Regulation on Classification of Work Posts and Criteria for Describing Work Posts of Civil Servants (“Official Gazette of RS” No. 117/2005);
- Regulation on Evaluating Civil Servants (“Official Gazette of RS” No. 11/2006).

B) Institutional framework

In 2007, local trainers that had been trained beforehand implemented, with the help of consultants hired under the project: Internal Financial Control and Internal Auditing – Stage 2 funded by the EAR, 7 training cycles involving 141 trainees from 60 public sector organizations. The training was split up into 4 modules, notably:

- Module 1 – Introduction to Internal Control;
- Module 2 – Risk Management;
- Module 3 – Management Control System;
- Module 4 – Implementation of Financial Management and Control.

2) Short-term priorities

A) Legal framework

To ensure further decentralization of responsibility to senior managing officials in public sector organizations and to improve efficiency of financial management and control, it is necessary to upgrade the existing legal framework by drafting and passing the Law on Internal Financial Controls in the Public Sector.

B) Institutional framework

According to plan, a Central Department for Harmonization should be established with the Ministry of Finance. It should include two divisions with 6 employees each and have as its mandate to elaborate the methodologies and standards, provide training and ensure supervision over establishment and development of the internal financial control system in the public sector. To fulfill the mentioned tasks, the Financial Management and Control Division will, in addition to providing training, also make State of play assessments, draw up the annual report and suggest the necessary actions geared at improving the efficiency of the internal financial control system.

3) Mid-term priorities

A) Legal framework

Update regularly the Rulebooks, methodology and manuals for the operation of the financial management and control system.

B) Institutional framework

Assess the needs for enhancing the organization and training of personnel in the area of financial management and control. Conduct continued training of senior managing officials, the employees carrying out financial tasks and internal auditors in the public sector. Develop procedures and administrative capacities to ensure efficient protection of the financial interests of the EU.

Administrative capacities

Name of institution: Ministry of Finance (MF)		Indicate whether it is existing or planned	Current number of employees	Planned (total) number of employees (by year)				
				2008	2009	2010	2011	2012
Budgetary Control Department	Central Harmonization Unit	Planned		14	18	18	18	18
	Internal Auditing Section (MF)	Existing	8	8	10	10	10	12
Total				22	28	28	28	30

3.33. FINANCIAL AND BUDGETARY PROVISIONS

3.33.1 CURRENT STATE OF PLAY

The Law on the Budgetary System (Nos. 9/02, 87/02, 61/05 – dr. law, 66/05, 101/05 – dr. law, 62/06 – dr. law and 85/86), the basic text of which was adopted in 2002 is a modern and comprehensive framework for preparing and executing the budget and in this context it has been harmonized with the GFS (Government Finance Statistics) standards and methodology.

One of the economic criteria of the European Partnership is also the setting up of more transparent public finance management. To that end, the authorities should follow through with the reform of public finance management to improve control, transparency, accountability and efficiency.

The Law on the Budgetary System has undergone major changes in order to further upgrade the budgetary system, especially in its part on planning, preparing, adoption, execution and control of the budget of the Republic of Serbia and the budgets of the local authorities. This has also been done in response to the need to further improve the mode of operation of the Treasury Directorate and to enhance accountability for spending public funds, pursue budgetary goals efficiently, in particular to ensure efficiency, business efficiency and effectiveness in preparing and executing the budget. The mentioned changes concerned, *inter alia*, the setting up of the Treasury Directorate as an administrative body within the Ministry of Finance; institutionalization of the National Investment Plan and the program model of the budget; redefining of the internal budgetary procedures; the manner in which spending of public funds is controlled, etc.

The text of a new law on the budgetary system has been drafted. This bill has been submitted under parliamentary procedure in the National Assembly for adoption. The intention is to ensure implementation of the procedures prescribed by the European Union so as to create conditions to enable the use of the EU development aid and to introduce the obligation for the Republic of Serbia to establish its relevant institutions to manage the EU funds by means of what is known as the decentralized EU funds management system (DIS). Another intention is to ensure transparency in spending public funds.

In keeping with the Law on the Budgetary System, budgetary planning is also one of the functions of public finances. Budgetary planning is functionally linked to the budget execution activities and budgetary accounting and reporting. All these activities form part of the budgetary process as a comprehensive framework for preparing and executing the budget conducive to improving the budgetary system and thus also the passage of the annual law on the budget. Recognizing the importance of the new budgetary planning method, in January 2006 the Minister of Finance brought the Decision to appoint a Management Team to carry out the Project for introducing a program model of the budget to the Republic of Serbia, whereby activities commenced to further develop the budget preparation process (by introducing the program model of the budget). This will concern the part of expenditures the planning of which can be done more appropriately if they are classified by program, which is how such expenditures will be linked to the Government's priorities and policies.

The Law on the Budgetary System stipulates that the budget is to include a general part, a special part and a program part.

To that end, in the Law on the Budget of the Republic of Serbia for 2008 (“Official Gazette of RS” No. 123/07), 5 direct Republic budgetary funds beneficiaries presented their financial plans for 2008 in line with the program model of the budget, notably: the Ministry of Health, the Ministry of Public Administration and Local Self-Government, the Ministry of Education, the Ministry of Trade and Services and the Ministry of Religions.

The financial information system (or what is known as the Permanent Treasury System – PTS) was officially launched on 1 January 2008. This system makes it possible to interlink the Treasury mentioned functions (planning and execution of the budget, budgetary accounting and reporting) as well as to fulfill the following objectives:

- consolidate the state’s revenues and the expenditures of all the budgetary beneficiaries in one consolidated account of the treasury of the Republic;
- secure information-sharing to enable better synchronization of inflow and spending of the Republic’s cash funds through financial planning;
- ensure electronic linkage of the beneficiaries with the Treasury Directorate, which will enable beneficiaries to submit directly their applications for taking over commitments;
- execute the budget in a timely fashion in accordance with the laws and regulations in force;
- improve public spending;
- streamline the system of control of expenditure disbursements;
 - upgrade the accounting function in line with international standards;
- ensure better use of cash funds of the Republic of Serbia;
- merge the functions of liquidity management and debt management;
- examine the Republic of Serbia’s total public debt as a single category.

Public debt management and liquidity management is a function which makes it possible, based on Serbia’s financial plan and the estimates made by using data on inflow of revenues and spending of funds (in accordance with international accounting standards and the European accounting system), to inform the management properly so that they can make effective decisions on how to manage the Republic of Serbia’s cash balances and achieve the goals of its fiscal policy strategy. This function is also important because its activation enables proper management of the Republic’s foreign debt by planning and estimating the needs for funds to honor the liabilities of the Republic arising from its debts. Further, the needs for re-financing of Serbia’s debt are planned and assessed in advance, care is taken to duly pay back creditors and settle duly the liabilities of the Republic.

In accordance with the Law on Public Debt (“Official Gazette of RS” No. 61/05), the Ministry of Finance manages the public debt and prepares a public debt management strategy which forms an integral part of the Memorandum on the Budget and the economic and fiscal policies for the budgetary year and the two coming years. In accordance with the Law on the National Bank of Serbia (“Official Gazette of the Republic of Serbia” Nos. 83/92, 53/93, 67/93, 48/94 and 101/2005) the Ministry of Finance communicates to the National Bank of Serbia, in order to get its opinion, the Draft Memorandum on the Budget, the economic and fiscal policies and the draft law regulating the budget within the time lines provided for by the Law on the Budgetary System.

Processing of employees’ salaries is a centralized processing of accounts and payment of salaries to employees as the beneficiaries of the funds out of the budget of the Republic of Serbia into their current accounts. This mode of payment means that the budget funds beneficiaries forward to the Treasury Directorate the data required for computing their employees’ salaries and the Treasury Directorate controls such data, processes them and, on that basis, makes transfers directly into the employees’ current accounts.

The public internal control system represents an application of the financial control standards that are in line with the European Commission's requirements to be fulfilled in order to secure effective and transparent financial control mechanisms.

3.33.2 LEGISLATIVE FRAMEWORK

The Treasury Directorate of the Ministry of Finance was set up under the Law on the Budgetary System (Nos. 9/02, 87/02, 61/05 – dr. law, 66/05, 101/05 – dr. law, 62/06 – dr. law and 85/06), as an administrative body forming part of the Ministry.

Bearing in mind that the Law on the Budgetary System has been harmonized with the European Union regulations in this field and that the new Draft Law creates conditions for use of the pre-accession funds of the European Union as well as for co-financing of these funds, there is no need for the Legislature to harmonize the regulatory framework with the *Acquis Communautaire* in the area of the budgetary process.

The by-laws falling under the authority of the Treasury Directorate have been brought into line with the Law on the Budgetary System which follows the GFS methodology. Bearing in mind, however, that a new bill on the budgetary system is pending adoption before the National Assembly of the Republic of Serbia and will, in case it is passed, bring about changes in certain segments of the budgetary process, it is at present impossible to specify which particular regulations will need to be passed and/or amended.

3.33.3 SHORT-TERM PRIORITIES

As the Treasury Directorate has a function in terms of financial planning, there are plans to develop it further. This function needs to be developed because at this moment it is not quite possible to level out the estimated revenues with the planned expenditures so as to establish a real cash flow management and secure liquidity on a permanent basis.

3.33.4 MID-TERM PRIORITIES

Over the medium term, senior managing officials at the budgetary funds beneficiaries are planned to take over responsibility for public internal financial control. The aim is to ensure that financial management at the state level functions as a coherent whole. This will be achieved through strengthening the Treasury Directorate's function by setting up the Preventive Control Department. This Department will elaborate the control procedures and the procedures for (submitting) financial documents for direct beneficiaries of the funds from the budgets of the Republic and the local authorities.

In addition, according to plan, the function of internal auditing is to be brought into harmony with the international auditing standards in order to improve the methodology and the mechanics used by internal auditors and ensure safety of budgetary funds, improve the Government's senior management structure, secure plausibility and transparency of the accounts and supervision over the legality of financial transactions. To that end, training needs to be provided also for senior managing officials, internal auditors and internal comptrollers on the public internal financial control aspects that concern their respective roles in particular.

In the area of monitoring and evaluation of non-financial execution of the budget, according to plan, the aim of the continued development and implementation of procedures for monitoring and assessing the degree of success in achieving goals and results under the program model of the budget is to link the planned results to fund requirements for the coming year(s). Likewise, one of the priorities will be to develop the methods of non-financial reporting on the goals and results

achieved with all the budgetary funds beneficiaries that form part of the program model of the budget.

3.33.5 INSTITUTIONAL FRAMEWORK¹⁰¹

Under the Law on the Budgetary System, the area of management of public and/or state finances has been entrusted to the Treasury Directorate of the Ministry of Finance.

Under the law in force, the Treasury Directorate carries out the following duties:

- 1) in budget preparation:
 - (1) coordinates the budget preparation procedure;
 - (2) elaborates the budget preparation guidelines;
 - (3) examines the applications for funds received from the budgetary funds beneficiaries and suggests the amounts of appropriations to be entered in the draft budget;
 - (4) studies the financial plans of the compulsory social insurance organizations and the budgets of the local authorities and suggests the amounts of transfers that are entered in the draft budget;
 - (5) takes part in the preparation of financial plans of the compulsory social insurance organizations and the budgets of the institutions of local self-government;
 - (6) monitors how the budget is being executed relative to the budget funds beneficiaries' plan, suggests adjustments, transmits such adjusted plan (to those concerned) to ensure budget execution and cash base management;
 - (7) monitors the budgetary revenues and outlays, revenues and expenditures of the compulsory social insurance organizations and revenues and expenditures in the budgets of the local authorities;
 - (8) makes recommendations to the budgetary funds beneficiaries, to the local authorities and compulsory social insurance organizations on issues concerning the budgetary system and the budget itself;
- 2) financial planning which covers the following:
 - (1) projections and monitoring of inflows into the Treasury consolidated account system and into the account of the Treasury of the Republic and applications for disbursement of funds to be spent;
 - (2) defining quarterly and monthly quotas of the taken-over commitments and payments;
 - 3) management of the Republic cash flow balances which covers:
 - (1) managing the Treasury consolidated account into which all revenues are paid and from which all payments out of the budget are effected for the following:
 - opening and control of bank accounts and sub-accounts;
 - managing inter-bank relations;
 - (2) liquidity management;

¹⁰¹ The competences of the Treasury Directorate of the Ministry of Finance have been regulated by the Law on the Budgetary System (Nos. 9/02, 87/02, 61/05 – dr. law, 66/05, 101/05 – dr. law, 62/06 – dr. law and 85/06). However, pending adoption before the National Assembly is a draft of a new law on the budgetary system which, in case it is adopted, will change the competences of the Treasury Directorate in the following segments:

- Budget preparation will not be under the authority of the Treasury Directorate but within the competence of the Ministry of Finance.
 - Management of public companies will be transferred to the competence of the Ministry of Finance.
 - The Central Harmonization Department will come under the authority of the Ministry of Finance whereas the budgetary control and inspection affairs will become the responsibility of the Treasury Directorate.
- It is evident from the aforementioned that the institutional framework of the Treasury Directorate of the Ministry of Finance will need to be revised to reflect possible changes in the legislative framework.

- (3)elaborating the procedure for collecting emoluments via the banking system;
- (4)management of financial resources;
- 4) expenditures control which covers the proposing of procedures for approving the take-over of commitments, checking of receipt of goods and services and granting approval for payments to be made to the debit of budgetary funds;
- 5) budgetary accounting and reporting which covers:
 - (1)the accounting duties for:
 - payment processing and record-keeping on emoluments;
 - keeping a day-book, the main ledger and an assorted selection of supporting journals on all receipts and outlays disaggregated by budgetary funds beneficiary;
 - international donations and other forms of aid;
 - (2)financial reporting;
 - (3)accounting methodology including the following:
 - maintaining the classification system;
 - prescribing budgetary accounting rules;
 - prescribing requirements in terms of internal and external reporting;
- 6) setting up of a financial information system covering the budgetary funds beneficiaries as well as the public revenues and public expenditures system (permanent information system) and management of this system;
- 7) duties related to public payments which cover record-keeping and performance of duties within the Treasury consolidated account system, notably:
 - (1)keeping a list of the beneficiaries of the funds from the Republic's budget and the budgets of the local authorities as well as of the beneficiaries of the funds of the compulsory social insurance organizations and other registers provided for by separate regulations;
 - (2)setting up of records and their keeping with respect to the public revenues accounts to which payments are to be made;
 - (3)funneling of the paid-in public revenues into various sub-accounts at different authority levels in accordance with the law;
 - (4)managing sub-accounts of the beneficiaries of budgetary funds of the Republic and local authorities as well as of the beneficiaries of the compulsory social insurance organizations that form part of the Treasury consolidated account system;
 - (5)managing other accounts in accordance with the law and other regulations;
 - (6)receipt, control and processing of payments orders issued by the beneficiaries of the budgetary funds of the Republic and local authorities as well as by the beneficiaries of the compulsory social insurance organizations that form part of the Treasury consolidated account system;
 - (7)issuance of payments orders to the debit of the sub-accounts of the beneficiaries of the budgetary funds of the Republic and local authorities as well as beneficiaries of the funds of the compulsory social insurance organizations forming part of the Treasury consolidated account system by virtue of the law and the powers given them, by virtue of documents issued by courts of law and other execution instruments, corrected errors and collection of payments for services rendered;
 - (8)effecting cash payments on behalf of the beneficiaries of the budgetary funds of the Republic and local authorities as well as the beneficiaries of the funds of the compulsory social insurance organizations that form part of the Treasury consolidated account system;
 - (9)receipt of cash payments from natural persons who thereby settle their liabilities to the benefit of public revenues;
 - (10)receipt, control and processing of annual reports on the beneficiaries of the funds in line with the law and other regulations;

- (11) keeping of fiscal statistics in line with the regulation that is issued by the Minister;
- (12) monitoring the liquidity of the beneficiaries of the budgetary funds of the Republic and local authorities as well as the beneficiaries of the funds of the compulsory social insurance organizations that form part of the Treasury consolidated account system and making available the data thereon in tune with the regulations in force;
- 8) centralized processing of the employees' personal emoluments with the beneficiaries of the funds from the Republic's budget that covers the following:
 - (1) processing of salaries, salary-compensation benefits and employees' other personal emoluments;
 - (2) maintenance and safekeeping of the database on employees which relate to their personal emoluments;
- 9) monitoring and control of the activities pursued by the public companies, which covers the following:
 - (1) monitoring the restructuring process of the public companies in line with the agreements concluded with the international financial institutions;
 - (2) participation in preparing the guidelines for elaborating a strategic plan;
 - (3) prescribing the guidelines for elaboration of a business plan;
 - (4) examination of quarterly reports;
 - (5) follow-up of payroll movements;
 - (6) drawing up a report to meet the needs of the commission responsible for restructuring;
- 10) record-keeping and monitoring of state aid;
- 11) managing the resources of the national fund provided by the European Union.

Administrative capacities

Bearing in mind that the Law on the Budgetary System has been brought into line with the relevant European Union regulations (it follows the GFS standards and methodology), at this moment (2008) there is no need to take on new officials to carry out the duties of harmonization with the EU regulations in the field of the budgetary process.

However, the draft law on the budgetary system that is pending before the National Assembly contains certain arrangements that represent a change in terms of substance and organization relative to the text of the Law in force. These include, *inter alia*, (the provisions) in the field of budgeting and the budgetary process. Since it is not possible at this moment to specify when the Draft Law on the Budgetary System will be adopted and whether this bill will undergo certain modifications, the Ministry of Finance is not able at the present point of time to define the administrative capacities required to implement the European Union regulations.

There are currently 3 employees performing the duties related to this part of the NPI that fall within the purview of the Treasury Directorate.

4. ADMINISTRATIVE AND JUDICIAL CAPACITIES FOR IMPLEMENTING THE ACQUIS COMMUNAUTAIRE OF THE EU

4.1. ADMINISTRATIVE CAPACITIES

Introduction

Parallel with Serbia's heading towards EU membership, the connection between the public administration reform and European integration is becoming ever more strong and evident. The capacity of national administrations to undertake the obligations which ensue from the very process of integration into the EU shall be at the next stage of EU enlargement the key criterion of assessment of candidates' preparedness for the membership. The EU emphasized the importance of strengthening the capacities of administrations at the Madrid Summit in 1995; thus, the administrative criterion has become, alongside the Copenhagen Criteria, yet another mandatory criterion for EU membership. The level of administrative capacity is primarily manifested in the effective implementation of national legislation that is harmonized with EU *acquis*; to this end, it is necessary to strengthen the existing institutions and establish new ones, but also to adopt the innovative skills, knowledge and operation and management structures. Preconditions for the establishment of an adequate institutional system for the application of EU *acquis* include *inter alia* the effective coordination of European affairs and the development of capacities for the absorption of EU funds. The administrations in states which are on the path towards integration into the EU should ensure not only a successful completion of that process but also an equal status of these countries among other Member States under the conditions of free market economy as well as their full participation into the shaping of EU policies.

As there is no EU *acquis* to directly govern the area of public administration, individual EU Member States have the autonomy in organizing their respective administrations – which, accordingly, differ widely. But, the implementation of the legislation generated at the level of EU and the effectuation of the free market principle as the cornerstone of EU structure rest exactly on the national administrations and their capacity to successfully apply all adopted regulations. EU administration is in effect a chain of national administrations which is as strong as its weakest link is. Therefore, it is binding on all Member States to achieve the same result, as provided for in the European legislation, although the methods for achieving this result may not be identical and are left to the States' discretion.

The European Commission, building on its experience with the latest enlargement of the EU, underlines that the administrative capacities of new candidates for EU membership shall be evaluated carefully, regularly and thoroughly and any problem in the public administration reform shall be given a significant consideration. It should be noted that the requirement of a balanced sectoral and horizontal approach to the public administration reform is being put high on the agenda.

4.1.1. Public Administration Reform

In spite of the lack of *acquis communautaire* applicable in the domain of public administration, within the EU over the course of time a set of common principles of European administrative law i.e. a set of common principles for public administration that is shared by all EU democratic and well-organized Member States has taken a more definite shape. It is considered that application and further

development of these principles in EU Member States contribute toward a gradual constitution of a common "European Administrative Space" within which a process of convergence in the arrangement of their public administrations is taking place¹⁰². Although the occurrence of such a convergence is at times disputed in some expert circles, it is by all means indisputable that the principles of European administrative law are founded in the public administrations of EU Member States and that these principles are expected to be incorporated into the arrangement and operation of public administrations in EU Candidate States. These principles are generally systematised in four groups: 1. reliability and predictability (legal certainty); 2. openness and transparency; 3. accountability; and, 4. efficiency and effectiveness¹⁰³.

4.1.1.1. Current Status

In preparation of the Strategy of Public Administration Reform in the Republic of Serbia, enacted by the Government of Serbia in October 2004, special importance was attached to its being based on the said principles of the European administrative law. In this respect, the specified paramount goal of the public administration reform in Serbia shall be the development of a democratic state based on the rule of law (which is the crux of the first European principle of administrative law - reliability and predictability), accountability, transparency, efficiency and effectiveness. Another fundamental goal of this reform is transforming the public administration into a true service for the citizens, which means that it should become citizen-oriented and capable of providing a high-quality service at a reasonable cost. These principles were also taken into account when the principles of the Government Administration Law (Official Gazette no. referred to in Chapter 1.1.4) and other laws regulating the public administration system and system of civil servants in Serbia were formulated.

In accordance with the Strategy of Public Administration Reform, the central strategic body of the Government (at the highest political level) in charge of producing the guidelines and conducting periodical evaluations of the progress of the reform is the Council of State Administration Reform. The Council of State Administration Reform is headed by the Prime Minister and composed of the representatives of relevant Ministries and the Director of the Republic Office for Human Resources Management. At the operational level, the authority charged with the realization and coordination of the processes of the public administration reform is the Ministry of Public Administration and Local Self Government. This Strategy is based on five fundamental principles of the reform which may be characterized as the main courses of action in the reform process. In this regard, the **decentralization, depolitization, professionalization, rationalization** and **modernization** of the public administration in Serbia should lead to the accomplishment of fundamental goals of the reform, which in essence means that they should lead to generation of a "European" public administration in Serbia.

Upon enacting the Strategy, the first stage of the reform included amending the legal framework that governs a broader area of public administration and local self government i.e. incorporation of the aforementioned principles into the valid legal solutions. At this legislative stage, almost all of the regulations provided for in the Action Plan for the implementation of the public administration reform for the period 2004 – 2008 (forming an integral part of the Strategy) were adopted:

- Government Law (Official Gazette RS no. 55/05, 71/05 – correction and 101/07)
- Government Administration Law (Official Gazette RS no. 79/2005 and 101/07)
- Law on Public Agencies (Official Gazette RS no. 18/2005 and 81/2005 – correction)
- Civil Servants Law (Official Gazette RS no. 79/2005, 81/2005 – correction, 83/2005 – correction, 64/2007 and 67/2007 – correction)

¹⁰² "European Principles for Public Administration", SIGMA no. 27, OECD/SIGMA

¹⁰³ Ibid.

- Civil Servant and Government Employee Salary Law (Official Gazette RS no. 62/2006, 63/2006 – correction and 115/2006 – correction)
- Electronic Signature Law (Official Gazette RS no. 135/04)
- Ombudsman Law (Official Gazette RS no. 79/2005 and 54/2007)
- Law on Unrestricted Access to Information of Public Concern (Official Gazette RS no. 120/04 and 54/07)
- Law on the Prevention of Conflict of Interest in the Performance of Public Functions (Official Gazette RS no. 43/04)

(A more comprehensive overview of the legal framework for public administration in the Republic of Serbia is provided in Chapter 1.1.4)

By establishing the legal framework based on the said principles or courses of the public administration reform in Serbia, the necessary conditions for the accomplishment of the formulated reform goals have been created.

Fundamental principles that are required for the administrative capacity building, stability of the administrative capacities and Serbia's integration into the EU are depolitization and professionalization.

Depolitization of the public administration is in the first place realized through prevention/diminishing of political influence over the work of civil servants, as well as through a clear division between the responsibilities in the domain of politics and responsibilities in the domain of a profession, performed by career civil servants. A basis for the application of this principle is specified in the Civil Servants Law (Official Gazette RS no...) that introduced a category of civil servants holding posts, by virtue of which an entire managerial "layer" in the public administration has essentially been depolitized. Civil servants holding posts are ultimately appointed by the Government or other authority pursuant to the Law; still, this may take place only after the applicant civil servant has been selected as the successful candidate by a relevant recruiting commission in vacancy competition where the professional qualifications and eligibility for the applied-to position of the applicant are assessed.

Professionalization is realized through the development of a well-trained, responsible and efficient public administration. In order to ensure a truly professional public administration that is capable of providing a high-quality service, but also of introducing reforms in all sectors successfully, it is necessary to provide the civil servants with continued educational and training courses. The enactment of Civil Servants Law and establishment of the Republic Office for Human Resources Management have created conditions for the development of systematic programmes - adopted and realized on a yearly basis - for general vocational advancement of civil servants. A Civil Servant Training Programme, which is realized in continuity by the European Integration Office of the Government of Serbia, plays a crucial role in generating professional and well-trained civil servants. In this respect, a regional project: Regional School of Public Administration (ReSPA) should also be mentioned. The project enables civil servants from this region to coordinate and attend joint training programmes in fields of common interest for the entire Western Balkan region. Serbia takes continued and proactive part in the regional ReSPA project. A comprehensive overview of training of civil servants is provided in Chapter 4.1.3. As regards the professionalization of the public administration, it should be noted that in early 2008 a Code of Ethics for Civil Servants was enacted. This Code specifies the standards of integrity and rules of conduct for civil servants, and informs the public on the type of conduct that may be reasonably expected from civil servants.

The administrative capacity building shall be ascertained by implementing the principles of rationalization and modernization:

Rationalization implies such an arrangement of public administration which is to ascertain the accomplishment of the best results by using minimum resources, which means – the most efficient system. A basis for the application of this principle is specified in the Government Administration Law. This Law stipulates the conditions for establishment of administrative bodies within ministries and special organizations, and establishes premises for a more rational arrangement of public administration. Law on Public Agencies seeks to accomplish the same goal in the area of arrangement and foundation of public agencies, also with the aim of rationalization of the overall system of the public administration. Rational arrangement within the very bodies of the public administration is ensured by virtue of respective by-laws on internal organization and job systematization within any of the bodies. These acts are instruments for regulating and planning the internal structures of public administration bodies and numbers and structures of personnel employed within these bodies. It is requisite that provisions of the Regulation on Principles for Internal Organization and Systematization of Jobs, enacted by the Government, be conformed to when internal by-laws are produced. Any administrative body must obtain the Government's authorization on its by-law on internal organization and job systematization; this, however, must be preceded by opinions obtained from the Ministry of Public Administration and Local Self Government, Ministry of Finance and Republic Office for Human Resources Management. The rationalization of the arrangement of public administration system and the very administrative bodies is carried out on the basis of detailed analyses. These analyses focus on the scope of reference of the subject body and its structural and personnel system (so called "functional analysis"), and provide recommendations to be incorporated and acted upon when the corresponding by-law on internal organization and job systematization is amended. So far, such analyses have been carried out for the individual administrative bodies; still, there is no available all-embracing overview of the long-term impacts achieved through this. As well, the introduction of mandatory enactment and enforcement of Personnel Plans on a yearly basis, in accordance with the Civil Servants Law, enabled a controlled recruitment of new personnel.

Modernization implies in the first place technical and technological furnishing of public administration and introduction of innovative, up-to-date work processes with the application of modern information and communications technologies. Since 2007, along with the increased furnishing of public administration with ever more modern computer equipment, the systematic computer-training courses in some software packages were initiated for civil servants (Ref. Chapter 4.1.3). The Electronic Signature Law was adopted with the aim of introduction of e-working into the work of administrative bodies.

4.1.1.2. Short-term Priorities

Key Short-term Priorities (on the basis of European Partnership):

Proceed with endeavours to implement the public administration reform;

As already mentioned, the Action Plan for the implementation of the public administration reform for the period 2004 – 2008, which specifies the schedule of adoption of laws and other activities in the reform process, forms an integral part of the Strategy of Public Administration Reform in the Republic of Serbia. As the activities envisaged by the Action Plan refer to the period ending at the end of 2008, a detailed analysis shall be carried out in the coming period focusing on the so-far accomplished progress in the reform. Following this, the Action Plan shall be revised, adjusted to current and future needs of the process of the public administration reform and supplemented with the plan of future reform activities. Revision of the very strategic document shall also be carried out in order to include a best suited model for monitoring and evaluation of the implementation of the public administration reform in its further course. As well, at the next stage of the reform, the emphasis shall be

placed on a better intersectoral coordination and inclusion of civil servants from all public administration bodies into the further implementation of this process. These activities are to be carried out within the project “Support to the Strategy of Public Administration Reform in the Republic of Serbia –Stage 2” realized by the Ministry of Public Administration and Local Self Government in cooperation with the United Nations Development Programme (UNDP). The project is financed by a donation from the Swedish International Development Cooperation Agency (SIDA) and UK Department for International Development (DFID). This project will contribute to popularization of the process of the public administration reform both in expert circles and general public.

As regards the legislative dimension of the public administration reform, the adoption of the Law on General Administrative Procedure and Law on Administrative Proceedings is to take place in the coming period, as envisaged in the Strategy of Public Administration Reform for the period 2004 – 2008. Currently, the preparation of a draft Law on Registries is underway. Although the enactment of this Law is not envisaged in the Strategy of Public Administration Reform, its adoption shall by all means have positive effects on the transformation of public administration and municipal and city administrations in Serbia into good services for citizens, which is the ultimate goal of this reform. The same effect on the relation between the State and the citizens shall have the adoption of the Law on Associations, the proposal of which was passed by the Government on 11 October 2007 and referred to the National Assembly for adoption.

Depolitization: In the coming period, adequate implementation of the Civil Servants Law and activities related to open competitions for posts shall be continued. The implementation of the Code of Ethics for Civil Servants will also contribute to depolitization of the public administration as this Code stipulates mandatory political neutrality in the work of civil servants.

Professionalization: In addition to conforming to the said Code of Ethics for Civil Servants which is to contribute to the depolitization of the public administration, the activities of systematic training of civil servants shall also be continued in the coming period (Ref. Chapter 4.1.3).

Rationalization: The development of a standardized methodology for the implementation of functional analyses in administrative bodies within the aforementioned project “Support to the Strategy of Public Administration Reform in the Republic of Serbia –Stage 2” and provision of support for the functional analyses implementation (with the aim of rationalization of the arrangement of the public administration bodies) in the group of pilot ministries are envisaged for the coming period.

Modernization: The production and utilization of integral data bases as well as the establishment of integrated communications system among administrative bodies throughout the territory of the Republic of Serbia along with the introduction of e-working and electronic signature are envisaged for the coming period. Systematic computer-training courses in some software packages (primarily MS Office) for civil servants shall also be continued.

Ensure transparent recruiting and promoting systems as well as professionalism and accountability.

Transparent recruiting and promoting procedures are stipulated by the Civil Servants Law which specifies the details of the recruiting procedure for employment in public administration as well as the prerequisites for a promotion. Arbitrary margin of executives’ discretion is thus considerably reduced as any decision pertinent to recruiting or promotion must be preceded by the evaluation of statutory criteria. Professionalism and accountability will be enhanced through a gradual depolitization of public administration and systematic training of civil servants, realized in the first place by the Republic Office for Human Resources Management and the European Integration Office of the Government of Serbia, but other administrative bodies within their terms of reference also participate in this process.

4.1.1.3. Medium-term Priorities

For the mid-term period it is foreseen to put into action the revised Action Plan for the implementation of the Strategy of Public Administration Reform in the Republic of Serbia. Also, the activities aimed at raising awareness about the importance of the public administration reform and closer intersectoral cooperation in the reform process shall be continued. Mid-term priorities will be made more specific in the revised Action Plan for the implementation of the Strategy.

Medium-term Priorities in accordance with the European Partnership:

Proceed with full implementation of the Civil Servants Law and Government Administration Law;

In the mid-term period the activities described in the Chapter on short-term priorities shall be continued in accordance with the revised Action Plan for the implementation of the public administration reform.

Strengthen capacities for policy-shaping and coordination of administrations on the local level;

The activities oriented towards the realization of a greater number of support projects and programmes intended for the local self-governments shall be continued. These support projects focus on the training of civil servants who are employed in municipal administrations, with the aim of strengthening their capacities for policy-making and preparation and implementation of relevant projects and programmes. The projects are financed for the most part from foreign donations.

Implement constitutional provisions referring to decentralization and provide resources for the bodies of local self-government;

As already mentioned, a set of four laws in the domain of local self-government was adopted at the end of 2007. Under these laws the constitutional provisions referring to decentralization are addressed in a consistent manner. In the mid-term period the implementation of the laws shall be continued. The activities described in the Chapter on short-term priorities, in particular in the domain of implementation of the law to govern the issue of property of local self-government units, shall also be continued.

4.1.2. Institution Building - Requirements

Serbian administrative tradition follows the “Austrian model” of public administration. The model was accepted as far back as the era of the Kingdom of Yugoslavia (1929-1941). The Socialist Federal Republic of Yugoslavia (SFRY), although not belonging to democratic political systems, retained the same characteristics of public administration. As a result of its federal structure and well-developed international cooperation, SFRY managed to build a public administration that could be deemed, unlike almost all of the today’s post-communist countries, modern and rather similar to the contemporary European administrations. In this respect, it could be said that Serbia as a successor to this tradition, has the potential to conduct a swift and successful approximation of its public administration to the requirements i.e. operation in market economy and pluralistic political system.

Public administration of Serbia comprises 22 ministries, 24 specific organizations and 11 offices/agencies of the Government, with the total number of app. 27,000 employed officials.

Since the beginning of its commitment to the Stabilization and Association Process (SAP), the Republic of Serbia, recognizing the importance of administrative capacities for the process of integration into the EU, has established a stable system of the coordination of European affairs and gradually strengthened the capacities of ministries and other bodies and organizations – which resulted in positive remarks given by the European Commission. Parallel with enacting regulations that are harmonized in part or in full with EU standards, the reorganization of certain administrative sectors was carried out and a number of new institutions and bodies for their implementation was established. Institution building has been conducted for the most part through the implementation of bilateral and international technical assistance projects and through the utilization of pre-accession instruments - Twinning and Taiex. Funded from CARDS for 2004, 2005 and 2006 and IPA for 2007, 26 Twinning projects have been completed or are in progress in 11 different areas.

At this moment a considerable disproportion exists between the scope of work and tasks and the number of implementators in areas covered by EU integration process. It is necessary to strengthen these segments of administration in the coming period, both by reorganizing the existing capacities and recruiting additional personnel. The Ministry of Finance has prepared a draft Strategy for the Establishment of the Decentralized Implementation System for the EU Funds Management. The Strategy addresses the issues of institutional structure, competences, schedule of institution establishment and training of personnel.

Strengthening of administrative capacities is envisaged in all areas; to that end it shall be necessary to establish new institutions and strengthen the existing ones, to recruit additional personnel, provide professional training and acquire the equipment. This capacity-strengthening shall be financed from the national budget but also from bilateral and international projects and IPA funds. For financing the IPA component I (the "support for transition and institution-building") allocation of € 915.9 milion shall be distributed to Serbia in the period 2007- 2011. It is estimated that 20-30% of these funds should be allocated to sectoral policies harmonisation, 20-35% to political requirements and 45-60% to social and economic requirements.

According to the data available at this moment, which are inconclusive, total number of implementators to be engaged in the tasks pertinent to EU integration process in 2012 shall amount to 10,937. Compared to 7,200 implementators in 2007, it is evident that the needed growth implies additional 3,737 implementators. As is already stated, the increase in the number of personnel engaged in the tasks pertinent to Serbia's integration process into the EU shall partly be achieved through reorganization, but where that is not possible new personnel shall be employed.

A comprehensive overview of existing and planned institutions by chapters of *acquis communautaire* along with the required number of implementators, according to available data, is provided in Annex... The Table is subject to amendments in the ensuing editing of this Document.

4.1.3. Training

The training of civil servants is divided into two segments: general training - which is organized and realized by the Republic Office for Human Resources Management, and specific training with focus on the knowledge of the EU and specific themes within the competencies of individual ministries - which is organized and realized by the European Integration Office of the Government of Serbia and some ministries.

Professional advancement of civil servants is the key instrument for the development of public administration. The principle of professionalization as one of the paramount principles of the reform includes the development of a well-trained, responsible and efficient administration. The efficacy of the

changes in public administration depends on the extent to which the exponents of the reform - civil servants - are professional, motivated and ready to accept changes. In this respect, the legislature provides two types of programmes for vocational advancement: general programme - which is organized and realized by the Republic Office for Human Resources Management (hereinafter: the Office), and specific programme - organized and realized by individual administrative bodies. General vocational advancement programme for civil servants employed within administrative bodies and Government offices/agencies (hereinafter: the Programme) is enacted by the Government on a yearly basis, whilst the specific vocational advancement programme is enacted by the executive, pursuant to specific needs of the administrative body, also on a yearly basis.

So far, there are two Programmes that have been adopted: the Programme for 2007, and the Programme for 2008. Previous Programme, for 2007, consisted of 9 thematic areas: Arrangement and activities of public administration, Personnel system, Modern administration and management in public administration, Transparency in work, Projects in public administration, Public finance system, Towards the EU, General and common public administration activities and Training programmes intended for lecturers in public administration. Each thematic area consisted of several modules within which different forms of professional advancement were realized. The Programme for 2008, additionally includes two new thematic areas: Constitutional order and Foreign language. As regards the already existing thematic areas (set out in the Programme for 2007), it should be noted that they saw certain modifications in terms of their contents as well as development of new training programmes.

The programme is designed to meet various professional advancement needs of different categories of civil servants, with respect to the hierarchy of posts (eg. civil servants holding posts, line managers of specific internal departments within administrative bodies, recently recruited civil servants). The programme also seeks to meet the needs of civil servants with respect to the type of work they perform: civil servants within internal departments whose scope of work includes personnel management as well as civil servants outside the internal departments whose scope of work includes personnel management in administrative body and specific organization, civil servants engaged in tasks pertinent to European integration, persons authorized to provide information of public importance, civil servants within financial departments, coordinators of projects and associates on projects, civil servants authorized to conduct administrative procedure, authorized PR civil servants.

With the aim of implementing the training programmes, cooperation with donors has been established and support from projects - ascertained. The public administration bodies have appointed their contact-persons and started the development of the Training Coordinators' Network. Vocational advancement programmes (133 such programmes) organized by the Office over the last year gathered 1,700 civil servants i.e. 2,400 attendees. 94 public administration bodies, Government offices/agencies and expert offices/agencies of administrative districts took part in this project.

Bearing in mind the experiences of EU Member and Candidate States, it is of utmost importance for Serbia to have well-trained, efficient and professional employees in public administration in order to successfully implement the Stabilisation and Association Agreement and proceed with its integration into the EU. All the Member and Candidate States had also carried out a long-term and thorough training of their civil servants – this was undertaken simultaneously with the public administration reforms. The training involved a continued education as a right and obligation of the employees working in public administration.

Systematic and continued training of civil servants on European integration, which has been realized by the European Integration Office of the Government of Serbia since 2005, has as its main goal

strengthening of the public administration capacity for the activities related to harmonization of regulations of the Republic of Serbia with the European Union regulations and standards, their implementation, coordination of the integration process, negotiation and conclusion of the Stabilization and Association Agreement, and EU funds management. To that end, 105 seminars, workshops and other forms of vocational advancement trainings were organized between 2005 and 2007. The training focused on 76 different topics which included: knowledge about EU institutions and operation, fundamental policies and EU *acquis*, experiences of new Member States, harmonization of national regulations with the EU *acquis*, techniques of negotiation and coordination of European integration, various aspects of EU accession, EU Programmes, IPA Funds, formulation of National Programme for the integration of Serbia into the EU, as well as a number of specific issues from certain areas of EU policies and chapters of *acquis communautaire*. 7,829 attendees were registered for different training activities. Being aware of the importance of the subject of EU integration, the European Integration Office of the Government of Serbia included into the training programme, apart from civil servants, the representatives of economy, civil sector, educational institutions and media, as well.

The training was realized in cooperation with and thanks to financial support of a number of domestic and foreign partners¹⁰⁴, and in coordination with relevant ministries and other public administration bodies.

The first partner of the European Integration Office of the Government of Serbia was the Commission for Coordination of the EU Accession Process, and now it is Expert Group of the Coordination Body for EU Accession Process which, taking into account its composition, has the professional and political authority to influence and raise awareness of the necessity of accelerated and systematic advancement in public administration and to outline the actual training and education requirements.

Separate and very important segments of the training realization are **programmes of the Technical Assistance and Information Exchange Instrument of the Institution Building unit of Directorate-General Enlargement of the European Commission (Taiex)** whose national coordinator for Serbia is KEI.

According to **Taiex** official statistics, in 2005 - 1,675 representatives of Serbia and Montenegro participated in more than 130 events (seminars, workshops and study tours), whilst in 2006 and 2007 - 2,297 representatives of Serbia participated in 190 events.

In addition to continued education, training sessions on the EU are also realized within individual bilateral and international projects, with the participation of competent ministries.

The training in IPA Funds Cycle Management forms a part of the Strategy for the Establishment of the Decentralized Implementation System for the EU Funds Management drafted by the Ministry of Finance.

4.1.3.1. Short-term Priorities

¹⁰⁴ Belgrade Open School, G17 Institute, The Institute for European Politics (IEP) of Berlin, IEDC - Bled Business School of Slovenia, German INVENT Agency, The Centre for European Negotiation and Decision-making (CENAD), Bled School of Management, New Istropolitan Academy, Comenius University, Bratislava-Slovakia, Hungarian Ministry of Foreign Affairs, German Ministry of Foreign Affairs, Government of the Republic of France, Royal Norwegian Ministry of Foreign Affairs, The Konrad Adenauer Foundation, The Friedrich Ebert Foundation, The Hans Zajdel Foundation, Open Society Fund, "Chance for Stability" Foundation, Bratislava-Belgrade Fund, Stability Pact for South Eastern Europe, Government of the Kingdom of Norway, the Brussels Office, Institute for World Economics, Organization for Security and Co-operation in Europe (OSCE), ESPI Institute, Embassy of the Kingdom of Spain in Belgrade and Spanish Agency for International Cooperation – Office for Technical Assistance to Balkan Countries, Ministry of Foreign Affairs of Luxembourg, European Institute of Public Administration (EIPA) – Antenna Luxembourg, National School of Administration of France (ENA).

As the Republic Office for Human Resources Management has a statutory obligation to produce and propose General vocational advancement programme for civil servants - on a yearly basis, the main task in the coming period shall be to further develop the programme, the quality of which shall be demonstrated in its power to enhance the knowledge and skills of civil servants and thus upgrade their and their organizational units' work performance.

In this period, the training in EU issues shall focus on the areas which are specified in the Stabilization and Association Agreement with special reference to the harmonization and implementation of the new regulations. With the aim of implementing the National Plan for Integration of Serbia into the EU (NPI) as a key strategic document to define the content and schedule of EU integrations, over the next several years the main task shall be the development of knowledge and skills of the civil servants delegated into the sub-groups of the Expert Group in the capacity as leading coordinators regarding all issues pertinent to the harmonization and implementation of the regulations set out under specific chapters of *acquis communautaire*, as well as of other civil servants involved in these activities. Plans for 2008 include continuation of the training courses for the preparation and implementation of the National Plan for Integration of Serbia into the EU, as well as the realization of the practical *Training in filling in the electronic form of the NPI Document* which is intended for all civil servants charged with these assignments. Apart from this, training courses related to acquiring specific knowledge and skills which are required for participating in EU Programmes open for Serbia, for writing the Twinning Projects, or programming, planning and writing the IPA Projects, are also planned for the next period. In addition to bilateral and international projects of technical cooperation, the utilization of the Taix professional assistance projects shall be intensified to the maximum extent.

The training shall also be ensured for the civil servants at the local level.

4.1.3.2. Medium-term Priorities

So that the future proposals of the General vocational advancement programmes could be fully adequate and useful to their direct beneficiaries - for civil servants, the Republic Office for Human Resources Management shall have to address the following issues in the coming period: the development of methodology for establishing the civil servants' needs, the development of evaluation system for evaluating the vocational advancement programmes, the development of data bases on vocational advancement, continued improvement and updating of the contents of the programmes, assurance of a financing system for the training courses, training of lecturers, etc.

The plans for the period ending in 2012 regarding the training of civil servants in the issues related to the EU include a continuation of activities from the previous period. It is expected that in this period a greater number of civil servants will participate in these activities as the number of civil servants engaged in the tasks pertinent to the EU is to be increased in order to meet the requirements ensuing from the integration into the EU. Besides, the basic training in the issues related to the EU shall include the wide-ranging circles of civil servants so that the entire public administration could be familiar with basic knowledge of the EU. The training courses shall also address the issue of development of specific skills which are needed for negotiating, lobbying and understanding of decision-making process in the EU, and which are necessary for a successful advocating of interests of Serbia as an EU Member State.

As well, the medium-term goal includes the training of civil servants employed in the local self-governments and the continued training of other relevant target groups in knowledge and skills pertinent to the EU accession process.

4.2. JUDICIAL CAPACITIES

4.2.1. Reform of Judiciary

Ministry of Justice

As stipulated in Article 7 of the Law on Ministries (“Official Gazette of the Republic of Serbia” no 43/2007 - "Сл.гласник РС", бр.43/2007) the Ministry of Justice performs public administration tasks related to: criminal law and law on economic crime and offences; contracts and torts - relations under law of obligations; inheritance; court proceedings, with the exception of administrative dispute; organisation and work of judicial authorities and magistrates; expert evidence at trial; execution of sanctions; amnesty and pardon; extradition; collection of information on crimes committed against humanity and other values protected by international law; passing, with the approval of the Government, of the decisions on extradition of indictees to the International Criminal Tribunal for the Former Yugoslavia, for serious breach of international humanitarian law at the territory of former Yugoslavia since 1991, based on legally binding and executive court ruling; advocacy and other legal professions; appointment and status issues of the bearers of judicial functions; professional training of staff employed in judicial bodies and magistrates; international legal aid; drafting of regulations on procedures in Constitutional Court, as well as any other tasks prescribed by the Law.

The interior organisational structure of the Ministry of Justice is currently designed as follows:

I. Judiciary Sector

- 1) Court and Prosecution Control Department
- 2) Personnel Department

II. Sector for Normative Affairs and International Cooperation

- 1) Normative Affairs Unit
- 2) Department for International Cooperation and European Integration
- 3) International Legal Aid Unit

III. IT Sector

- 1) Information Processing and Analytical Unit

IV. Material and Financial Operations Sector

- 1) Unit for Budget, Analytics and Planning
- 2) Financial Accounting Unit
- 3) Unit for Investment Maintenance and Procurement

V. Secretariat of the Ministry

VI. Cabinet of the Minister

VII. Group for Supervision/Monitoring and Internal Control

Drafting of the new Rulebook on Internal Organisation and Job Classification in the Ministry of Justice is ongoing.

Needs of the Ministry of Justice for recruiting staff

Name of institution	Current staff number	Planned (total) staff number				
		2008	2009	2010	2011	2012
Ministry of Justice	81 + 5 appointed staff + 1 State Secretary	95 + 5 appointed staff + 2 State Secretaries	113 + 5 appointed staff + 2 State Secretaries	/	/	/

Courts and Prosecution – total number of courts and prosecution offices, total number of employed staff, buildings, refurbishment and technical equipment.

Municipal and District Prosecutor	138
NUMBER OF COURTS AND PROSECUTION OFFICES IN THE	19
Commercial Courts	147
Total	187
PROSECUTION OFFICES	number
Republic Office of the Republic of Serbia	1
Office of the War Crimes Prosecutor	30

**NUMBER OF JUDGES, PUBLIC PROSECUTORS AND DEPUTY
PUBLIC PROSECUTORS IN THE REPUBLIC OF SERBIA**

COURTS	Number of judges
Supreme Court of the Republic of Serbia	70
District courts	455
Municipal courts	1.735
High Commercial Court in Belgrade	32
Commercial Courts	214
Total:	2.506

PROSECUTION OFFICES	Number of public prosecutors	Number of deputy public prosecutors
Republic Office of the Public Prosecutor	1	37
Office of the War Crimes Prosecutor	1	7
Offices of the District Prosecutor	30	183
Offices of Municipal Prosecutor	109	398
Total:	141	625

NUMBER OF STAFF EMPLOYED IN COURTS AND PROSECUTION OFFICES IN THE REPUBLIC OF SERBIA

COURTS	Staff number
Supreme Court of the Republic of Serbia	171
District courts	1.784
Municipal courts	6.913
High Commercial Court in Belgrade	67
Commercial Courts	851
Total:	9.786

PROSECUTION OFFICES	Staff number
Republic Office of the Public Prosecutor	29
Office of the War Crimes Prosecutor	21
Offices of the District Prosecutor	264

Offices of Municipal Prosecutor 609

Total: 923

GRAND TOTAL:	10.709
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In order to increase the material and technical conditions of the work performed by the judiciary, substantial investment has been planned in the 2008 annual budget, in accordance with the funds allocated through the 2008 Law on Budget ("Official Gazette of the Republic of Serbia" no 123/07 - "Службени гласник РС" број 123/07). Some of the most significant investments are:

1.) Provision of premises and technical conditions needed for the commencement of work of courts of appeal and administrative courts.

Within the framework of the National Investment Plan (NIP), projects related to building, refurbishment and modernisation of existing buildings have been approved, in order to provide for the premises needed for the work of the courts of appeal. Those projects are:

- Provision of premises and technical conditions needed for the commencement of work of the Court of Appeal in Niš – adapting the existent military building – value of 180,000,000 dinars.
- Provision of premises and technical conditions needed for the commencement of work of the Court of Appeal in Kragujevac - adapting the existent building - approximate value of 42,000,000 dinars.

The following investment has been planned using the 2008 budget funds:

- Support to the final stages of reconstruction and upgrading of the building in 9 Nemanjina Street in Belgrade, in order to provide for the premises of the Belgrade Court of Appeal. Value – 1,400,000,000 dinars.
- Adapting the premises of the District Court in Novi Sad in order to provide for the premises of the Novi Sad Court of Appeal. Value – 34,000,000 dinars.

2.) Apart from the abovementioned, within the NIP for 2008 and partly for 2009, the implementation of the following approved projects has been planned:

- CCASA – Commercial Court Administration Strengthening Activity – 200,000,000 dinars

- Refurbishment and adaptation of the building of the District Prosecutor's Office, as well as the buildings of the First and the Second Municipal Prosecutor's Office (Zeleni Venac Street 18 in Belgrade). Value – 100,000,000 dinars.
- Refurbishment, adaptation and upgrading (building an annex) of the existing building of the Third Court in Belgrade. Value - 40,000,000 dinars.
- Refurbishment, adaptation and upgrading (building an annex) of the existing building of the Fourth Court in Belgrade. Value – 30,000,000 dinars.
- Refurbishment of the Palace of Justice in Belgrade. Value – 20,000,000 dinars.
- Roof refurbishment of the building situating the Department of the District Court for the Fight against Organised Crime and the Office of the War Crimes Prosecutor (Belgrade, 29Ustanička Street). Value – 10,000,000 dinars.
- Construction of the roof on the building of the Fifth Municipal Court in Belgrade. Value – 5,000,000 dinars.
- Construction of the building for the use of the Magistrate Court and the Department of the High Court of Offences in Novi Sad. Value – 100,000,000 dinars.
- Kragujevac District Court– adaptation and equipment for the building. Value – 15,000,000 dinars.
- Bor Municipal Court – construction of the administrative building. Value – 10,000,000 dinars.
- Municipal Court in Velika Plana – connection to the city heating utility service. Value – 3,000,000 dinars.
- Kragujevac Commercial Court. Value – 5,000,000 dinars.

3.) The following investment has been planned from the 2008 budget funds:

- Upgrading of the Preševo Municipal Court building for the purpose of situating the Office of the Municipal Prosecutor in Preševo. Value of the works – 12,000,000 dinars.
- Complete refurbishment of the Jagodina Municipal Court building. Value of the works – 12,000,000 dinars
- Upgrading of the Bečej Municipal Court, for the purpose of situating the Records and Archive Department. Value – approx. 12,000,000 dinars.
- Supply and the necessary related refurbishment of the building for the purpose of situating the Magistrate Court in Pančevo. Value of the works – approx. 25,000,000 dinars.
- Supply of the building for the purpose of situating the Municipal Court building in Šabac.

- Refurbishment of the power sub-station and electric network in the building of the Office of the Municipal Prosecutor and the Magistrate Offices in Jagodina.
- Complete refurbishment and adaptation of the purchased "Valjevska Banka" building, for the use of the Offices of the District and Municipal Prosecutor in Valjevo.

4.) Apart from the abovementioned, the following supplies have also been planned in 2008 and 2009 for the purpose of and for the use by judiciary authorities (several of those supplies are on-going):

- Supply of vehicles (passenger and off -road vehicles)
- Supply of the necessary IT equipment – on-going
- Supply of metal detecting door gates – on-going
- Supply of uniforms and equipment for judicial security personnel
- Supply of robes (togas) for the judges.

Striving to provide adequate buildings and premises for the work of the judicial authorities, the Ministry of Justice is investing substantial effort purchasing and renting adequate facilities and thus creating conditions for proper functioning of its bodies.

The needs of the Ministry of Justice

	in 2008	in 2009	in 2010	in 2011	in 2012
Activities (construction, refurbishment and equipment)	Modernisation of judiciary (E-justice) EAR IT, equipment for the Ministry of Justice – District Courts Project of introducing an	Project of establishment of IT system of the Ministry of Justice as part of the overall judicial IT system	Delivery of IT related education and training for the staff employed in judiciary bodies, in cooperation with the line Ministry for Information Technology and Telecommunication ICT;	Introduction of an integral IT system in the Prison Administration as integral part of the overall judicial IT system	By end 2012 - a modern judicial IT system established and operational in all judicial bodies

	<p>IT system for the Ministry of Justice</p> <p>Project of establishment of a modern system of international legal aid</p> <p>Introduction of an integral IT system in the Prison Administration</p>		<p>Establishment of IT community and train-the-trainer education</p>		
<p>Total funds</p>	<p>2,500,000 EUR - NIP</p> <p>450,000 EUR - EAR</p> <p>37,500 EUR - budget of the Republic of Serbia</p> <p>2,000,000 EUR (UNDP, CIDA)</p>				

	62,500 EUR - budget of the Republic of Serbia				
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The Republic Office of the Public Prosecutor finds that the priority issue to be tackled is that internal organisation of public prosecution should, under the Constitutional principles, follow and replicate the organisation of courts. Thus, the plans to rationalise and introduce process economy in the court proceedings can be valid for the public prosecution as well, as long as the European standards are respected related to ensuring a quick and simple access to judicial bodies for all people.

For this aim, The Republic Office of the Public Prosecutor will strive to update its analysis of the needs for material and human resources, performed in 2007. This activity is also a part of the preparations of the public prosecution for the application of the new criminal proceedings legislation.

Establish an IT network for prosecutors at all levels (PEP)

In the previous period, a number of significant reform goals have been achieved through international assistance and support. The largest number of projects has been implemented in the direction of enhancing the infrastructure and ICT capacities of the judiciary in the Republic of Serbia. The most significant IT projects in the period 2001-2007 were: "Support to the Reform of the Justice System in Serbia", "Support to Court Administration (Phase II) - District Courts of Niš, Kragujevac, Novi Sad, Kruševac, Sremska Mitrovica and Belgrade", "Support to the Law Enforcement Agencies in Serbia and Montenegro", "Database for Legal Practitioners", "Support to the Court Administration - IT Training", "IT Equipment for selected courts", "IT Support to the selected courts of Serbia, phase 2" managed by the European Agency for Reconstruction (EAR), organised by USAID - project "CCASA - Commercial Court Administration Strengthening Activity", German foundation IRZ project "Project of modernizing court administration based on modern IT technology", as well as the project supported by the Royal Norwegian Government "Judicial network – court interpreters and court experts".

Within the EAR project "Support to the Law Enforcement Agencies in Serbia and Montenegro", implemented in the mentioned period, an IT network has been established for all offices of public prosecutors from the territory of Belgrade and business software has been installed for the management of cases in five Belgrade prosecutor's offices. Within the project Modernisation of Judiciary (E – justice), financed from the National Investment Plan (NIP), an IT network for all offices of the public prosecution in the Republic of Serbia will have been established, presenting a complete information technology facility for the entire public prosecution (introduction of electronic recording, complete use of electronic business within public prosecutor's offices, electronic exchange of data with the courts and the Ministry of Interior) – all for the purpose of shortening the procedures and enhancing efficiency.

Build the capacities of the Office of the War Crimes Prosecutor and continue enhancing the capacities for war crime cases to be processed in the country, with full adherence to the international obligations towards the Hague Tribunal (PEP)

The Office of the War Crimes Prosecutor was established in 2003. The number of cases and persons processed has been increasing each year, so that in 2007 this number was almost equal to the sum of cases and persons in all three precedent years.

The Office of the War Crimes Prosecutor entered the year 2008 with a significant number of its own cases in different phases of the proceedings. It has taken active participation in the exit phase of the International Criminal Tribunal for the former Yugoslavia (ICTY), which implies that a certain number of cases processed by the ICTY will be transferred to the jurisdiction of the Office of the War Crimes Prosecutor. Active regional cooperation has also been forged, so that this Prosecutor's Office is being transferred cases from Croatia, and the transfer is also possible from other countries in the region. The cases and other data cannot be presented quantifiably here due to the related legal limitations.

In accordance with the increase of the work load, a need has arisen to increase the number of staff. Based on the Rulebook on Internal Organisation and Job Classification in the Office of the War Crimes Prosecutor, approved by the Ministry of Justice, another 15 staff should be recruited in 2008 – four (4) of them to the position of the Deputy Prosecutor, four (4) with College or University degree education and seven (7) with the High school degree. The salaries of the newly-employed would present an amount of 400,000 EUR on an annual basis, to be provided from the budget of the Republic of Serbia.

The technical capacity of the Prosecutor's Office contributes a great deal to the increased efficiency and effectiveness of work, bearing in mind that investigative activities are often performed on the people who are citizens and residents of the former Yugoslav states. This is the reason the technical capacities need enhancement. This investment is estimated at 300,000 EUR, which can be financed through the budget of the Republic or any other source of funding.

The Office of the War Crimes Prosecutor is situated in a building that has already proven to be inadequate, so the increase of the number of staff would definitely require an increase of the work space - four (4) new cabinets and ten (10) offices.

Build the capacities of the Special Unit for the Suppression of Organised Crime of the Office of the District Prosecutor in Belgrade (Office of the Special Prosecutor) and continue enhancing the capacities for the trial of the organised crime offenders

Ever since the Law on Organisation and Jurisdiction of State Bodies in Suppression of Organised Crime ("Official Gazette of the RS" - "Службени гласник РС" no 42/2002, 27/2003, 39/2003, 67/2003, 29/2004, 58/2004, 45/2005 and 61/2005) was passed in July 2002, and the Special Unit for the Suppression of Organised Crime started operating in the Office of the District Prosecutor in Belgrade in March 2003, there has been a gradual and steady increase of the work load, leading to the end of 2007.

The adoption of the Constitution of the Republic of Serbia in 2006 has brought about a necessity for the adoption of new laws to regulate the organisation and jurisdiction of public prosecution offices, the process of election and suspension of public prosecutors and their deputies, as well as some other issues relevant for the functioning of public prosecution. For the same reason, it is necessary to pass the law to regulate the position, authority, organisation and mode of work of the State Prosecution Council, as a newly-founded state body.

All of this points to a need to redefine the position and role of the Office of the Special Prosecutor in the system of public prosecution.

As one of the priority issues - a need has been acknowledged for intensive cooperation with the judicial bodies processing cases of organised crime in the country and in the region, as well as in the other EU Member States.

During 2007, there was an attempt to match the steady trend of increasing workload in the Office of the Special Prosecutor with the possibility of an increase of the number of staff. With the consent of the Minister of Justice, a new Rulebook on Internal Organisation and Job Classification in the Office of the Special Prosecutor was passed. The Rulebook has enabled an increase of human resources in the Office and stipulated in Article 2 that the public prosecution function in the Office of the Special Prosecutor can be performed also by 25 Deputy Prosecutors, alongside the Special Prosecutor. At the same time, the number of systematised positions was increased for the assisting staff as well, which is also of huge importance for the proper functioning of the Office. The Rulebook also contains some new approaches towards the internal organisation of the Office of the Special Prosecutor.

The internal organisation of work is arranged through specified organisational units, such as the Cabinet of the Special Prosecutor, Criminal Law Department, Secretariat and Unit for International Cooperation, IT and Analytics.

These modifications should enable proper functioning of the Office of the Special Prosecutor with a significantly larger number of cases to process in the future.

In the process of passing new laws or amending the existing ones, in order to comply with the Constitution of the Republic of Serbia, the Office of the Special Prosecutor has been very active in the work of the working groups formed in order to prepare and draft legislation relating to the public prosecution, State Prosecution Council, courts, Law on Criminal Proceedings, Regulation on Undercover Informant and other laws and regulations.

Active participation in drafting the Law on Public Prosecution has definitely been one of the major short-term priorities. This Law is to further enhance the independence, accountability and efficiency of public prosecutors. The issues of election of public prosecutors and their deputies, duration of their mandates and some other important issues need to be harmonised with the text of the new Constitution of the Republic of Serbia, since it introduces changes to previous solutions.

It is of great importance to envisage within the draft Law on Public Prosecution that the Special Unit for the Suppression of Organised Crime of the Office of the District Prosecutor in Belgrade is transformed into the Office of the Special Prosecutor, in the organisational framework of public prosecution. In the organisational respect, the Office of the Special Prosecutor should be planned as an independent office, and not as an office within the framework of any already existing prosecution offices. This would provide the Office of the Special Prosecutor the status of a direct budget beneficiary, which is also very significant.

It is also necessary to enhance of organisational capacity of the Office of the Special Prosecutor in the following period. There is a need to provide the current staff with additional working space, in order to enable proper functioning of the Office. This need will be even more evident if the staff number is increased, as proposed in the Rulebook on Internal Organisation and Job Classification, due to the increase of jurisdiction and authority. Putting this working space into use would require planning of the IT and other necessary equipment, as well as adequate office furniture and supplies.

Enhancing the cooperation with the prosecuting offices dealing with persecution of organised crime perpetrators in the countries in the region and EU Member States is planned as a mid-term priority. This cooperation is achieved easily through signing Memoranda of Cooperation, running joint cases and providing international legal aid.

Another mid-term priority is the acquaintance with and implementation of the best practices related to organised crime cases.

The every-day activity of the Office of the Special Prosecutor is also monitoring and analysis of current criminal proceedings for organised crime run by the Special Unit of the Belgrade District Court, as well as monitoring of criminal proceedings run by other judiciary bodies, in order to determine if the cases represent organised crime activities and if their processing might require verification or a transfer of jurisdiction.

Prison Administration, jurisdiction, number of staff in the Prison Administration head office, number of correctional facilities, total number of staff, construction and refurbishment of buildings, equipment, refurbishment and improvement of buildings for the prisoners with special needs (PEP)

The Prison Administration organises, implements and monitors the execution of prison sanctions, execution of sanctions in correctional facilities for juveniles, community service penalties, parole sanctions under supervision, safety measures of compulsory psychiatric treatment and hospitalisation and compulsory treatment of alcohol- and drug addicts, as well as the correctional measures of referring to penal-correctional facilities.

In the Republic of Serbia, not including Kosovo and Metohija, prison sanctions are executed in 28 facilities:

- 8 penal-correctional facilities in: Požarevac, Sremska Mitrovica, Niš, Valjevo, Čuprija, Šabac, Sombor and Padinska Skela;
- A penal-correctional facilities for women in Požarevac;
- Correctional facility for juveniles in Kruševac;
- Special prison hospital in Belgrade;
- 17 district prisons in: Belgrade, Novi Sad, Leskovac, Čačak, Zrenjanin, Pančevo, Subotica, Vranje, Kragujevac, Kraljevo, Kruševac, Prokuplje, Užice, Zaječar, Novi Pazar, Negotin and Smederevo.

The Law on Execution of Penal Sanctions establishes:

- The Training Center for Prison Administration Staff

The Prison Administration employs 3,611 staff, out of whom: 1,964 in the security service, 249 in the correctional service, 647 in the training and employment service, 219 in the health service, 501 in general administration service and 31 in the Prison Administration head office.

Financial plan of the Prison Administration, with investment and equipment according to the sources of financing:

	2008		2009		2010		2011		2012	
	investment	equipment	investm.	equipment	investm.	equipment	investm.	equipm.	investm.	equipm.
Republic budget	6.0	1.2	6.3	1.2	7.1	1.5	6.7	2.0	6.6	2.0
NIP	10.0		11.9		6.1		1.2		1.2	
IPA	5.0									
OSCE		0.15		0.15						
Total	22.3		19.6		14.7		9.9		9.8	

Judicial Training Centre

The institution performing training for the judiciary is the Judicial Training Centre (JTC), established in December 2001, with the first training organised in May 2002. The bodies establishing the Judicial Training Centre are the Government of Serbia, Ministry of Justice and the Judges' Association of Serbia. According to the Statute of the Judicial Training Centre, the managing body of the JTC is a Managing Board which numbers 11 members. The Ministry of Justice appoints 5 members, out of which there has to be one judge and one prosecutor. The Judges' Association of Serbia appoints another 5 members and one member of the Managing Board is elected from the Judicial Training Centre. The Judicial Training Centre has the legal status of a public institution, a service with a special mandate. The Programme Council of the Judicial Training Centre numbers 9 members. Those members are elected by the Managing Board. The Programme Council approves the training programme for judges and prosecutors and establishes working groups. There are the following working groups in JTC: Civil law, Criminal law, Administrative law, Commercial law, Working Group for Prosecutors and Human Rights Working Group. In accordance with the obligation stipulated by law, the JTC is to organise specialist training on juvenile rights and family rights and for that purpose sub-groups have been formed within the existing Working Groups – in the Working Group for Criminal Law – a sub-group on juvenile rights; in the Public Law Working Group - a sub-group on family law.

Improved capacities of JTC by passing the relevant legislation:

- a) The Judicial Reform Strategy marks the Judicial Training Centre as the main bearer of judicial education; it envisages institutional strengthening of the JTC and its transformation into a National Institute. In accordance with the consensus reached by the Government of Serbia and the Ministry of Justice to have the capacities of the JTC strengthened, the JTC appoints one of its members for the Commission for Implementing the Judicial Reform Strategy.

- b) The Law on Initial Training of Judges, Public Prosecutors and Deputy Public Prosecutors was passed in May 2006. This Law provides for the JTC to be in charge of the implementation of the initial training programme approved by the High Council, while the JTC alone designs and implements the programmes for continuous training.
- c) The Law on Juvenile Offenders and Legal Protection of Juveniles stipulates that the judges, prosecutors, lawyers and police officers taking part in the proceedings where juvenile persons appear as offenders or as victims, have to pass a special training in JTC. As stipulated by this Law, the JTC is authorised to issue certificates for the special training passed.
- d) The Government of the republic of Serbia has passed a Rulebook on Manner of Acquiring Specialised Knowledge on the Rights of the Child for Judges Adjudicating in Proceedings with respect to Family Relations. The JTC has been authorised to organise and implement this programme and issue certificates for it. This Rulebook has been passed in accordance with the demands for specialisation of judges, as stipulated in Article 203 of the Family Law.

Capacities of JTC – human resources, premises and financing

The Judicial Training Centre currently numbers 19 staff, paid by the funding received from the Ministry of Justice. The JTC is seated in Belgrade. The Government of the Republic of Serbia has provided JTC in Belgrade with 396 square meters of working space. This space has been refurbished and equipped using the funds of the Ministry of Justice of the Republic of Serbia, UNDP and EAR. The space is used for the work of the staff and delivery of training.

Regional Centres – regional offices and spreading (Niš and Novi Sad)

Currently, the Judicial Training Centre has regional offices in Niš (one person employed) and Novi Sad (one person employed). The funds provided by the European Agency for Reconstruction have been used for the refurbishment of premises for the regional office of the Judicial Training Centre in Niš, in order to further develop and spread the JTC. This space covers 150 square meters and is situated in the building of the Niš District Court. Apart from the working space for the staff, it also contains an area for delivering the training programme of the Judicial Training Centre.

For the purpose of enlarging the capacities of the Judicial Training Centre, a regional office was opened in Novi Sad in May 2007. The establishment of this office has been supported by the OSCE Mission to Serbia. According to the contractual arrangements, the OSCE financed the supply of office equipment and covered material costs in the period May 2006 – April 2007. The Ministry of Justice provided for the working space in the building of the Novi Sad District Court. According to the Agreement signed with the Novi Sad District Court, the Judicial Training Centre has the right to use the library and the meeting room of the Court.

Financing of JTC

United Nations Development Programme (UNDP) was financially supporting the work of the Judicial Training Centre in the period starting 2002 till the end of 2004. During 2004, the Ministry of Justice started taking over financing of the Judicial Training Centre work. In 2005 the Ministry of Justice completely took over the basic financing of the work of JTC (material costs and salaries of the staff). In the 2006 budgetary funds for the financing of JTC work, the Ministry of Justice accepted to participate in the financing of the training programme, in addition to covering the basic costs. In comparison with the year 2007, in 2008 the Ministry of Justice increased the funds allocated for the work of the JTC by 30 %.

Donations

JTC is additionally financed through donations. The European Agency for Reconstruction is implementing the programme “Strengthening the Judicial Training Centre”. This programme was faced with an initial halt, incurred by the application of the EU rules on project implementation, but continued with full realisation in the beginning of 2006. Alongside the UNDP who have continued to financially support the work of the JTC on a partnership basis, the OSCE Mission to Serbia is also an important donor, supporting the establishment of the Novi Sad regional office and one part of the JTC programmatic activities. JTC programmes are also supported by the USA Embassy, Embassy of the Republic of France, Fund for Open Society, CIDA, SIDA, ABACEELI, IRZ, GTZ and the office of the Council of Europe in Belgrade.

The JTC plans to establish a long-term cooperation with the donors in order for certain activities and programmes to receive continuous funding and thus facilitate long-term planning, compliance with the existing budgetary funds and sustainable development of JTC.

Establishment of administrative courts and courts of appeal

As stipulated in the current Law on Organisation of Courts, the courts of appeal represent general jurisdiction courts. The court of appeal is an immediately higher instance court for the district and the municipal court. The court of appeal decides on the complaints on the decisions of the municipal courts passed within the criminal proceedings (on condition the decision on complaints is not under the jurisdiction of the district court), as well as the complaints on the court ruling of the municipal courts in the cases where the pronouncement on the right to audit is possible. Courts of Appeal are situated in Belgrade, Kragujevac, Niš and Novi Sad.

As stipulated in the current Law on Organisation of Courts, the Administrative court is a special court situated in Belgrade, ruling as the court of first instance in administrative litigations.

It has been planned that during 2008 a new Law on Organisation of Courts is passed, in order to achieve full compliance with the Constitutional Law for the implementation of the Constitution of the Republic of Serbia.

For the commencement of work of the Administrative court and Courts of appeal, it is necessary to provide material conditions – buildings and equipment, the lack of which has been the delaying factor for the functioning of these courts so far. The Ministry of Justice has provided all necessary conditions for the functioning of the new judiciary network to begin on 1st January 2009.

In the 2008 Budget Law (“Official Gazette of the Republic of Serbia” no 123/07 - "Службени гласник РС” 123/07) – 2,227,199,744 dinars have been allocated for the work of the Courts of appeal (250 judges and 387 staff).

In the 2008 Budget Law (“Official Gazette of the Republic of Serbia” no 123/07 - "Службени гласник РС” 123/07) – 48,228,600 dinars have been allocated for the work of the Administrative court (20 judges and 61 staff).

The allocated funds will be used upon establishment of the Courts of appeal and the Administrative court.

Establishment of new institutions: Anti-Corruption Agency and Directorate for Sequestration of Assets

Anti-Corruption Agency

The Law on the Anti-Corruption Agency, to be passed during the year 2008, stipulates that the Agency:

- Monitors the implementation of the national Anti-Corruption Strategy (hereinafter: Strategy), the Action Plan for the implementation of the national Anti-Corruption Strategy (hereinafter: the Action Plan) and sector action plans and informs the public on the implementation of these strategies and plans;
- Initiates the proceedings and determines the measures related to the violation of the aforementioned Law and the law that regulates financing of political parties;
- Acts on the issues of conflict of interest;
- Performs tasks related to the law that regulates financing of political parties, as stipulated by the law;
- Provides expert decisions and guidance on the application of this law;
- Initiates amendments of the existing legislation; initiates passing of new legislation in the area of fight against corruption;
- Provides expert opinion on the implementation of the Strategy, Action Plan and sector action plans;
- Monitors and coordinates the work of state bodies in the fight against corruption;
- Keeps records of persons holding high positions;
- Keeps records of assets and payments of persons holding high positions (hereinafter: property records);
- Provides expert assistance in the fight against corruption;

- Cooperates with other state bodies in drafting legislation related to the fight against corruption;
- Develops integrity plans in the public and the private sectors;
- Introduces and implements training programmes on corruption;
- Keeps special records, as stipulated by this law;
- Acts upon complaints submitted by physical and legal entities;
- Organises research, monitors and analyses statistical and other data on the level of corruption;
- Monitors international cooperation in the fight against corruption, together with the relevant state bodies;
- Performs other tasks as stipulated by the law.

The initial budget of the Anti-Corruption Agency

Staff number: 160 (including the Management Board members)

	Total	Gross	
	number	Expenses in	
		EUR / annually	monthly
<i>Staff salaries</i>			
Management Board ¹⁰⁵	7	93,240 €	1,110 €
Director	1	24,000 €	2,000 €
Assistant for legal issues	1	14,400 €	1,200 €
PR	1	12,000 €	1,000 €
Heads of Sectors	3	43,200 €	1,200 €
Other staff	146	876,000 €	500 €
Secretary General	1	14,400 €	1,200 €
Total salaries		274,240,00 €	
Office equipment	#	90,000,00 €	
<i>Hardware</i>			
Computers (complete set)	160	160,000 €	1,000 €
Servers	2	30,000 €	15,000 €
Other IT equipment	#	25,000 €	#

¹⁰⁵ The Law stipulates: three average monthly net salaries (220€ + 150€=370€ gross) x 3= 1110€

Software (WXP&MS Office)	160	120,000 €	750 €
Other expenses	#	100,000 €	
Total IT& expenses		435,000 €	
Grand Total		1,512,240 €	

Note: the estimation of the Anti-Corruption Agency initial budget was performed in October 2006.

The Anti-Corruption Agency shall start functioning within the deadline of maximum 9 months upon the adoption of the Law by the Parliament.

Directorate for Management of Sequestered Assets

The Directorate for Management of Sequestered Assets shall be established to perform the tasks stipulated by the Law on Sequestration of Assets Gained through Criminal Activity, to be passed during 2008. The main function of the Directorate shall be the management of the assets gained through criminal activity, objects of criminal activity, benefit gained through criminal activity and the property pledged as bail during criminal proceedings.

The Directorate:

- 8) Manages the sequestered assets gained through criminal activity, objects of criminal activity (Article 87, of the Criminal Code), and the property pledged as bail during criminal proceedings;
- 9) Estimates the value of the sequestered assets gained through criminal activity;
- 10) Stores, keeps and sells the sequestered assets gained through criminal activity and manages the funds gained by purchasing of these assets;
- 11) Keeps records on the assets from point 1 of this Article and records on the court proceedings where the management of these assets is decided;
- 12) Participates in the provision of international legal aid;
- 13) Participates in the training related to the sequestration of assets gained through criminal activity;

14) Performs other tasks as stipulated by the law,

The abovementioned tasks are performed by the Directorate also in relation to the benefit gained from commercial offence or infringement.

These tasks are performed either in line of duty stipulated by law or by writ of the public prosecutor and the court.

The Directorate for Management of Sequestered Assets shall have the status of a legal entity and its head office shall be situated in Belgrade, but it may establish special organisational units outside the head office.

The Directorate will need to employ 25 staff initially, according to the estimates of the working group tasked with drafting the Law. It shall be managed by a Director appointed by the Government, upon the proposal of the minister in charge of judiciary and after receiving opinion on the proposed appointment from the High Court of Cassation and the Republic Prosecutor. Apart from the Director, it is envisaged that the Directorate employs 17 appointed staff and 7 staff to provide technical assistance. The salaries of staff will be determined according to the relevant legislation based on which the calculation and payment of salaries is performed for the entire public administration. The staff of the Directorate shall need an adequate number of offices, means to cover the material costs, as well as funds for purchasing relevant technical and IT equipment and enabling training of staff in order to prepare for the efficient application of the Law. Another specific need will be to ensure adequate conditions for the storage and keeping of temporarily or permanently sequestered assets, notwithstanding who this task has been delegated to (which is regulated by this Law), in order to fulfil the relevant requirements and standards about keeping the assets, given that the Law stipulates that the Directorate shall manage the sequestered assets with due care, in a professional and expert manner. The Directorate for Management of Sequestered Assets shall bear all costs of keeping and storing the sequestered assets.

Based on the aforementioned, the total funds to be planned and allocated in the Budget of the Republic of Serbia for the year 2009, for the establishment and functioning of the Directorate for Management of Sequestered Assets amount to 41,023,000 dinars (detailed budget projection by type and roles is given in the Regulatory Impact Analysis performed for the Law on Sequestration of Assets Gained through Criminal Activity).

The Directorate for Management of Sequestered Assets shall start functioning within the deadline of maximum 3 months upon the adoption of the Law by the Parliament.

4.2.2. Training

Pass and apply the laws on initial and continuous training of judges, prosecutors and assistant court staff and strengthen the training centres (PEP)

The Law on Initial Training of Judges, Public Prosecutors and Deputy Public Prosecutors was passed in May 2006. This Law provides for the JTC to be in charge of the implementation of the initial training programme approved by the High Council, while the JTC alone designs and implements the programmes for continuous training.

The internal organisation of the Judicial training Centre is designed in accordance with the JTC programme approach. The JTC consists of four departments:

- a) Civil Law Department
- b) Criminal Law Department
- c) Commercial Law Department
- d) Human Rights Department

The annual work plan is prepared by the JTC Programme Council, and adopted by the Managing Board. The design of detailed training programmes and activities is the responsibility of the JTC working groups and heads of Departments. Special attention is dedicated to:

- a) recently adopted basic laws passed in compliance with the priority direction of the Republic of Serbia to reform the judiciary, enhance the EU integration process and attract foreign investment,
- b) training of judges and prosecutors in order to enhance the application of legislation related to the fight against corruption, money laundering, human trafficking and organised crime – resulting from the obligation of the Republic of Serbia as a signatory of related international conventions,
- c) informing the prosecutors and judges on the EU standards and obligations of judiciary in the EU accession process
- d) training of judges and prosecutors in the application of international conventions on human rights, "The European convention on human rights and basic freedoms and the European Human Rights Court" of the Council of Europe is a special training programme by JTC.

Beginning in May 2006, court management training and PR training for the judges and prosecutors became part of the regular training programme of JTC. The court management training is currently delivered to presidents and secretaries of courts.

Training of trainers and evaluation

Until 2006, only a number of judges and prosecutors passed the train-the-trainer programme. This programme covered commercial law and human rights. In 2006, a unified train-the-trainer programme

was designed. In line with the decision reached by the JTC Programme Council, all judges and prosecutors to be trained trainers passed a unique training programme to develop their skills and forms of teaching. Starting with 2007, only the judges and prosecutors who have passed the train-the-trainer programme are allowed to become potential trainers. This programme is organised periodically. Different seminars are also organised for the development of skills and competencies of the trainers. Upon completion of each programme activity, the trainees evaluate the quality of the programme and the trainers and provide suggestions on contents of future training they are interested in. A unique evaluation questionnaire has been drafted and is pending adoption by the JTC Programme Council.

Database

In order to upgrade the training, the JTC created an electronic database in February 2006. It enables a better overview of the training activities, keeps records of each trainee, as well as the type of training passed and contents the trainee is interested in. This database also registers the trainers and their area of expertise.

Strengthening regional and international cooperation

The Judicial Training Centre has forged very intensive cooperation with relevant institutions in the region. The first Regional Conference organised by the Judicial Training centre in July 2006 contributed to the development of better institutional cooperation in the region. UNDP has proclaimed readiness to support the regional cooperation, and the consensus was reached among all relevant institutions in the region that the Judicial Training Centre should become the coordinator of regional cooperation activities,

The Judicial training Centre is a member of the Council of Europe Lisbon Network – a network of institutions in the Council of Europe member states, in charge of judicial training. It is also a member of the Council of Europe "HELP" Programme - coordinating training programmes on human rights issues.

Evaluation of seminars delivered in 2007

The educational programme 2007 began on 12 January in Kragujevac, with a seminar on Criminal Law – “The Law on Juvenile Offenders and Legal Protection of Juveniles”, and was completed on 21 December in Novi Sad, with a seminar on human rights – “European Human Rights Convention”. There were 183 seminars held in 2007, with the total of 6,253 participants.

Ensure further training of the prison staff (PEP) and strengthen the Training Centre

In September 2004, the Prison Administration Training Centre was established, through the effort of the Prison Administration and the support of the OSCE Mission to Serbia. The Centre was established with the aim to enable training, professional development, upgrading of knowledge and qualifications and increase of job motivation for all staff. The staff is regarded as the most significant

resource of the system of execution of penal sanctions and important bearers of reform, and thus the development of staff capacities is contributing to the overall reform of penal sanctions execution system.

In 2006 and 2007, the Training Centre takes a leading role in the organisation and coordination of all types of training implemented in the system of execution of penal sanctions.

Work of the Training Centre and delivery of training

The Centre implements training of staff based on the relevant training programmes and curricula on the level of basic, advanced and specialised courses, as well as other training modes (workshops, seminars, conferences). It delivers training alone or in cooperation with other bodies, institutions and international organisations. The training is mostly delivered in the premises of the Centre, but it can be performed in prisons, at the workplace, or in other institutions, according to the particular need.

The Centre is taking an increasingly important strategic role, not only in the training of new staff and the existing Prison Administration staff, but also in the recruitment and testing of the future staff of Prison Administration.

Training delivered in 2007

In cooperation with the OSCE Mission to Serbia, the Centre has implemented a series of basic and specialised courses for the interns and for all other staff of the Security service.

168 of the Security service staff have undergone three training cycles and taken an expert exam for the position of commander. The training and exam for the position of the chief commander was taken by 269 staff of the Security service. Training and exam for the position of the prison warden was passed by 61 people. The exam for the position of the guard commander and chief guard commander was also organised, with 6 candidates passing.

The Centre has coordinated 6 seminars for the members of the correctional service, lawyers, doctors and nurses, trainers, prison wardens and heads of services. Due to the lack of adequate resources, training of this target audience was stopped long ago, so this now represents a novelty. In this way, by organising different types of education, members of all services in Prison Administration have been undergoing training.

In 2007, the Prison Administration Training Centre enlarged its operations and, apart from the usual education of the Security service and the Correctional service, it started paying more attention and allocating more resources to the training of staff of Human Resource Training and Recruitment Service, training of lawyers and heads of accounting employed in the general affairs service, training of

commissioners who are to be dealing with execution of alternative sanctions and training of staff who are to be working under a special prison regime.

Organisational structure and strategic goals of the Centre

Currently, the Training Centre numbers around 10 employed people with intensive experience in execution of sanctions, it has a Management Board, and, with the support of the OSCE Mission, it is now equipped with modern hi-tech training facilities and equipment that enable training delivery and efficient work.

Organisational structure of the Centre has been determined, expert bodies established - the Council and the Teaching Board, and strategic and operational goals of the Centre have been defined. Among others, the strategic goal of the Centre is the organisation of training as a continuous process which is crucial for all reforms of Prison Administration.

On the other hand, the operational goals of the Centre are to train the newly-recruited staff, train existing staff to perform new tasks, apply new technologies and modalities of work, new standards and regulations, to introduce the staff into new responsibilities and leading roles, to continuously increase the knowledge of the system of execution of penal sanctions and to enable individual career development, keep record of results and issue certificates.

5. NATIONAL VERSION OF THE EU ACQUIS

5.1 STATE OF PLAY

The state submitting an application for EU membership must be ready to accept the entire *Acquis communautaire* and must be ready to implement it. Politically speaking, this is the key rule which is non-negotiable and one of the conditions for accession to the EU. Bearing in mind that the Founding Treaties differ from traditional international treaties and other treaties concluded by the member states in that their provisions give rise to rights and obligations of not only the states but also their citizens and economic operators as well as that the European *acquis* has a direct impact and effect, knowing the regulations is key to their respect. Uniform application of the law may be secured, however, only if the regulations are accessible in the official language of the member state concerned.

Bearing in mind that under Article 10 of the Constitution of the Republic of Serbia the Serbian language is the official language in Serbia, all the possibilities will be examined and relevant activities undertaken to prepare the national version of the *acquis* in a timely fashion and train an adequate number of experts in different fields so that the Serbian language can become an official EU language upon Serbia's entry to the European Union and the national version of the *acquis* can be published in the Serbian language in the Official Journal of the EU. A condition for publishing is that the version is prepared in line with the standards for preparing laws and regulations laid down in the EU.

Given the volume of EU regulations that are published in its Official Journal (approx. 115,000 pages of the Official Journal which corresponds to 150,000 standard format pages with an average annual increment of from 3,000 - 5,000 pages), the preparation of the national version of the *acquis* has proved to be the biggest translation enterprise in the history of most of the new EU member states. This challenge is not due only to the enormous number of pages to be translated and edited but also to the complexity of the entire process, hiring of experts in different fields, the required level of expertise and skills as well as the necessary inter-disciplinary cooperation. To carry out well the project for preparing the national version of the *acquis* both linguistically, technically and legally, the project must comprise four components: translation; technical editing of the translation; legal editing of the translation; and language editing. Division of labor among experts in different fields must be organized in such a way as to ensure that translations are done by translators, technical editing by the relevant and competent experts and legal editing by lawyers responsible for system-related legal issues in a particular field. The entire process must be coordinated from a single center.

Bearing in mind that the work on the project like that for getting the national version of the EU *acquis* (national *acquis*) is a new experience for experts in different fields, particular attention must be paid to educating translators and experts, which presupposes updating of school and study curricula. This is particularly important if one bears in mind the obligation of a particular country to have at its disposal upon accession to the EU an adequate number of educated translators and interpreters, lawyers – linguists, terminologists and editors who will take up employment in EU institutions.

5.2 CURRENT STATE OF PLAY

5.2.1 Normative and institutional framework

The Regulation Setting Up the European Integration Office (“Official Gazette of RS” No. 126/07), Article 2 has laid down the remit of the Office. It performs technical, administrative and operational duties and duties to meet the Government’s needs associated with coordination by the Government of the activities of its ministries and its special organizations and services. These duties, *inter alia*, have to do with “the coordination of translation and preparation of the national version of the EU regulations and translation of the legislation of the Republic of Serbia into one of the official languages of the European Union”.

In keeping with the mentioned regulation, the Office has drafted the Rulebook on Internal Organization and the Job Plan which envisages that a department for coordinating translation work, legal and language editing will be established. The department will perform the following duties: coordinate translation activities; prepare the national version of the EU regulations, i.e. *acquis communautaire*; coordinate legal and language editing of the translated legal acts of Community law; translate national legislation into one of the EU official languages; make a proposal to develop a uniform terminology of the European Union and compile a word book on EU terminology in the Serbian language; and perform other duties within the Department’s remit. The Department will have two lower-level internal divisions: the Translation Coordination Division and the Legal and Language Editing Coordination Division.

The Translation Coordination Division will carry out the following duties: coordinate translation of primary and secondary legislation of the European Union into the Serbian language; coordinate translation of the relevant national legislation into one of the official languages of the European Union; draw up a list of priorities for translation; translate for the Office (from Serbian into English and from English into Serbian) information, business correspondence and other technical materials; create and regularly update a database of the translated regulations; create and organize a network of translators; organize professional training on use of translation tools and professional development of the employees involved in the translation process; cooperate with other relevant institutions; and also perform other duties within the Division’s remit.

The Legal and Language Editing Coordination Division will perform the following duties: coordinate legal, technical and language editing of the translated regulations from the *acquis*; develop and regularly update the database of the translated regulations; prepare a proposal to establish a uniform terminology; create and organize a network and coordinate and control the work of external consultants; forward the requested information on the translated laws and regulations to the competent institutions; and also perform other duties within the Division’s remit.

It has been envisaged that a total of 14 civil servants will be employed in the new Department.

5.2.2. Preparation Status of the National Acquis Version

Methodical efforts for the preparation of the national version of the EU Acquis Communautaire began with the “Acquis Communautaire Translation, Legal and Language Editing” pilot project implemented in 2004 at the level of the State Union of

Serbia and Montenegro. The results of this project were 2,170 pages of translated legal documents of the Community law which underwent legal and language editing. Each and every legal document translated (regulation, directive, decision) was accompanied by forms containing document details (document name, *Celex* number, reference number, area to which the document refers to, number of pages of the original text and of the translated text, etc.), information on the translator and “expert reader”, contentious terms and an indication on whether they have been harmonized.

Before this pilot project no substantial attempts were made to translate the Acquis, apart from the translation of the Founding Treaties, translated by certain scientific institutions and a number of regulations and directives translated by certain government bodies for their own needs. In addition, the translation of these documents was not done in a coordinated and systematic manner, accompanied by harmonized terminology used in these translations, therefore we are dealing here with the so called unofficial translations necessitating their legal and professional editing. Currently, the European Integration Office is gathering and systematizing the following legal regulations data bases:

- Translations of texts of EU regulations in possession of ministries and other government bodies (data base of translated EU regulations), as well as other institutes and institutions in Serbia.
- Translated laws and regulations of the Republic of Serbia into English (data base of unofficial translations of our regulations into the English language)
- The existing thesauruses and other handbooks necessary for translation of the Acquis.

5.3. SHORT-TERM PRIORITIES

The preparation of the national version of the Acquis is an important, comprehensive and lengthy process requiring a coordinated, systematic and standardized approach accompanied by good regional cooperation as well as by joint initiatives through projects financed by European regional funds. The national integration program should primarily include the translation of regulations, while other phases should remain within the competences of the bodies of the candidate countries. Hence, Serbia’s key short term priority should be a regional level agreement on cooperation in this area between countries with similar language and legal tradition, enabling the completion of this project in a timely, reasonable, efficient and professional manner.

In the short term, Serbia will develop its own preparation model of the national version of the Acquis in keeping with the following: the level of legal and technical terminology, adequate number of translators and associates at different levels of the editing process, professional institutions available for cooperation and work on the project, administrative and linguistic practice and tradition, financial resources and other factors.

The European Union will fund, through the European Agency for Reconstruction, two translation projects, which should begin in the course of 2008.

The first project, *Technical Support to Capacity Building of the Department for Translation Coordination* is aimed at assisting Serbia’s institutional capacity building for translating the European Union Acquis Communautaire into the Serbian language thus enabling harmonization with the requirements of the Stabilization and Association Agreement and the EU Acquis Communautaire, as well as the development of a modern and efficient translation coordination unit within the European Integration Office capable of managing and

coordinating the Acquis translation process. The results of this projects will be: Strategic plan for the preparation of the national version of the Acquis; defining, organizing and systematizing the translation department; creating the IT system development and training plan; translation, terminology and legal review quality improvement; Translation Department and other relevant Republic of Serbia state administration units employee training in basic skills required for a successful implementation of translation, review and terminology tasks, including the use of relevant translation and terminology data bases. This project will support the European Integration Office Translation Department during the control and review process of the functioning, structure, staff and procedures pertaining to the translation process, defining a common terminology, legal review, development of the IT component of the coordination process and the translation process itself as well as establishing terminology data bases and translations archiving. The total value of the *Technical Support to Capacity Building of the Department for Translation Coordination* project is EUR 1 million.

The objective of the second project is the translation of the European Union Acquis Communautaire and is scheduled to commence on 1 September 2008 with the implementation time of 24 months from the date of its inception. The goal of this project is to translate the European Union Acquis Communautaire into the Serbian language in certain priority areas. The total number of pages of translated EU regulations which should be submitted to the Coordination Department of the European Integration Office amount to 16,000 pages. For the purpose of encouraging regional cooperation in the translation field, Serbia upheld the so called Miločer Initiative¹⁰⁶ launched by the Montenegro Government with a view to giving effect to the joint approach to the translation of the EU Acquis Communautaire. To this effect the Government of Serbia has proposed to share without any reservations, the results of this project with all neighboring countries in the region. The total value of the *European Union Acquis Communautaire Translation Project* is estimated at EUR 500,000.

Naturally, creating a consultancy based translators network is among the short term priorities. Creating a network of translators is very important, since the translation can be done at all levels even outside state administration bodies. However, legal and technical editing must be done within the ministries and other administrative bodies and it must be subject to clear coordination. As a body in charge of coordinating this project, the European Integration Office will, in cooperation with competent bodies and in accordance with the recommendations of the above mentioned projects, prepare translation and editing instructions as well as the plan for training of translators and other experts who will be involved in this project and implement adequate training programs.

Considerable attention will also be given to the IT support of the whole process, in particular regarding the use of electronic tools which are indispensable when using and updating translation data bases. Within the existing Twinning project *Capacity Building for the European Integration Process*, the European Integration Office will indeed redirect certain funds to the activities aimed at establishing IT support for the translation coordination process. All activities within the mentioned Twinning project must be completed by the end of March 2009.

¹⁰⁶ Endorsed at the Through Cooperation towards Integration regional conference held in Pržno, Montenegro, in September 2007

The regulations governing the state administration bodies' organization and mode of operation, should delegate the responsibility for conformity assessment of the proposed regulations to line ministries, and within the scope of their competences, gradually include into this process the Secretariat for Legislation. For this purpose, it is necessary to strengthen human resources capacities of all sectors, by hiring staff fluent in EU official languages and with adequate knowledge of European law.

Translators working in the Department for the Translation Process Coordination with the European Integration Office should be reassigned from all existing tasks not related to the preparation of the national version of the Acquis, so as to enable them to start working exclusively on the coordination of this process. In addition, it is necessary to strengthen the human resources capacities of the Department, while keeping in mind the given workload, primarily by hiring by the end of 2008, terminologists, a lawyer and a documentarist, a total of 5 employees as envisaged by the Rulebook which is currently in force. Following the adoption of the new Rulebook it is necessary to fill new job openings in the future Department for the Coordination of Translation, Legal and Language Editing (a total of fourteen employees).

Short term priorities also include creating terminology data bases, compiling dictionaries in certain technical areas and their entry into terminology data bases for the purpose of creating a standardized translation environment. Translation plans or translation priority lists will be adopted in accordance with the planned regulations harmonization process as stated in Chapter 3 of the National Program for the European Union Integration Process.

In cooperation with the competent bodies, the European Integration Office will prepare the projection of the necessary financial expenses accompanied by the sources of funding (EU funds, state budget). Prior to this, it is necessary to define a methodology for calculating translation, editing and other expenses.

While the previous priorities are a prerequisite for providing system related and organizational preconditions for the adoption of the national version of the Acquis until the end of 2012, the key short term priority is to translate and define key terminology of the European Union Acquis Communautaire.

5.4. MID-TERM PRIORITIES

With the development of the national version of the primary EU legislation, the national version of secondary legislation, which should be ready by the end of 2012, will also be developed. The terminology data base of translations should continuously be expanded during this time so as to create conditions conducive to labor efficiency and terminology harmonization during the process of the national Acquis version preparation and its use following Serbia's EU accession.

In addition, it is necessary to create, in a timely manner, system-related prerequisites necessary for adequate training of translators, lawyers-linguists, language editors and terminologists who will be needed during Serbia's EU accession process and its future EU membership. In that respect, the European Integration Office is one of the partners in the consortium headed by the Belgrade University Faculty of Philology which submitted an application for the Tempus Project dealing with language studies curriculum reform. This project envisages the establishment of a National Center for Languages, Translation and Computer Literacy. This center has been designed as one of the key operational language institutions in the country and it will be in charge of standardizing the Serbian language,

defining and certifying the quality of translation of legal documents from Serbian and into Serbian, adopting an integral terminology for translation into the Serbian language of EU regulations, training language experts in computer literacy, creating and maintaining translation tools - in particular glossaries and data bases.

5.5. ADMINISTRATIVE CAPACITIES

The Department for Translation Coordination of the European Integration Office is currently staffed with one civil servant. According to the existing Rulebook it is possible to hire up to four more civil servants. Following the adoption of a new Rulebook on Internal Organization and Job Plan, which provides for a new Department for Translation Coordination, Legal and Language Editing, it will be possible to hire up to fourteen employees. At the same time, bearing in mind the overall workload, the Department will work on developing a network of external consultants. Further capacity strengthening of the Department for Translation Coordination will be implemented according to the following schedule:

Name of institution	Indicate whether the institution exists or is planned to be established	Current number of employees	<i>Planned (total) number of employees (by year)</i>				
			2008	2009	2010	2011	2012
SEIO/Translation Coordination Department	Existing	2	3	9			
Total		2	5	14			

Note:

The EU experts estimate that in order to translate the *Acquis Communautaire*, currently there are only preliminary indications regarding the cooperation in this field between multiple countries in the region, it will be necessary to provide funds of approximately EUR 10 million, out of which EUR 7 million would be earmarked for the translation, technical and legal editing, while up to EUR 3 million would be allocated to coordination activities, training of technical staff and IT support. At this point in time the European Commission is not interested in giving financial support for the translation of the EU *Acquis Communautaire* into the languages of individual countries of the Western Balkans. The logic of this approach is based on the fact that language differences among the countries of the former SFR of Yugoslavia are insignificant, hence translating the EU *Acquis Communautaire* in each of the existing languages separately would be wasteful and uneconomical from the standpoint of spending EU funds. It is possible that the European Commission will insist in the future on work division among the Western Balkan countries regarding the EU *Acquis Communautaire* translation. Such EU approach fully complies with Serbia's efforts exerted within the previously mentioned *Miločer Declaration*, resulting in a considerable relief of the Republic of Serbia budget.

6. OVERALL FINANCIAL ASSESSMENT OF THE REFORMS

The entire European integration process – including approximation of national laws with the EU acquis, building and development of Serbia's administrative capacity to implement these laws, and translation and production of the national version of the acquis – implies allocation of considerable funds. To a great extent, the funding will come from the Budget of the Republic of Serbia, but it will also come from international financial assistance.

In order to do the tasks envisaged under the National Programme of Integration (NPI), Serbia will be using technical and financial assistance of the European Union provided through the Instrument for Pre-Accession Assistance (IPA), assistance in harmonisation provided by TAIEX, and all community programmes available to Serbia. For the period 2007–2011, Serbia will receive EUR 915.9 million to finance projects contained in the first IPA component (support for transition and institution building). In addition, bilateral assistance programmes of the EU Member States, as well as those of other countries, will be coordinated so that they respond to the need to carry out all the activities stemming from the NPI. Considerable funds will be necessary for the translation of the acquis communautaire into Serbian and their transposition in the Serbian law, especially in the fields of environment protection, agriculture, transport and social policy. These fields will certainly have the priority in the future programming of the funds available through the IPA.

Naturally, the NPI is primarily the job and the responsibility of the Republic of Serbia, and so is the provision of sufficient funds for its implementation. It should be mentioned that in addition to the implementation of the NPI, funds for the implementation of the Stabilisation and Association Agreement should be taken into account, as these will also have to be provided from the Serbian Budget.

The greatest expense for the Serbian Budget may be the need to build the administrative capacity necessary for the NPI implementation. However, it should be born in mind that administrative capacity building may be realised by reorganising the existing administrative capacity of the Serbian public administration bodies. Recruitment will be necessary for those brand new jobs, and this will need additional funds from the Budget. It is estimated that the number of civil servants involved in the EU integration process and implementation of the NPI will have to increase 50% by 2012. The number includes civil servants working in the state administration bodies, local self-government, new bodies responsible for implementation of approximated laws, and in the justice system.

The National Programme of Integration has been harmonised with the Annual Operational Programme of the Serbian Government (in the part referring to the obligations in 2008) and with the Budget for 2008. This means that the funds for its implementation have been secured already. Nevertheless, the National Programme of Integration will be one of the starting points for the budgetary planning for 2009.

Financial projection for the National Programme of Integration primarily includes the costs of administration, together with gross earnings of employees and basic costs of equipment and office material. They also include the need for and the costs of education, training and professional development. Thus, these funds do not cover those expenses that will be incurred in the European integration process in the next five years in connection with capital investment, with the exception of some investment intensive sectors.

In order to secure uniformity in the projection of the necessary and the planned funds, but also in order to facilitate the calculation of the necessary costs, public administration bodies received the Guidelines – an approximate price list for the fiscal impact projection. The Guidelines helped fill in the tables of financial demands in the implementation of the National Programme of Integration.

According to the first estimates of funds that will be needed for institutional capacity, which can be derived from financial needs for the implementation of the NPI, it can be concluded that the allocation rate of the Republic of Serbia is at the rate common among other countries that are in the same stage of the EU integration. In relation to the funds allocated in 2008 for the European integration process in Serbia in general, it is estimated that these funds will increase 15% by 2012. These are the funds that will increase in comparison to the funds allocated from the Serbian Budget, earmarked for Serbia's administrative capacity building and development in the process of European integration.

The estimate of the necessary funds does not include funds needed for the translation of the *acquis communautaire* into the Serbian language. For the translation of the *acquis communautaire*, according to the EU experts, it is necessary to reserve a total of circa EUR 10 million, of which about EUR 7 million for translation and technical and legal editing, and up to EUR 3 million for staff coordination and training and IT support.

Comparative analysis of other countries' experiences show that the funds needed for the implementation of the National Programme of Integration, administrative capacity building, improvement of the European integration process in general in the stage preceding the acquisition of the member state status amount to 2–4% of GDP. On the other hand, the benefits of this process are seen in the growth in foreign direct investment, the direct result of which is the increase in employment, productivity and the level of technical capacity. To a great extent, these elements are basic factors of the GDP growth and, consequently, the growth in standard and the quality of living of Serbian citizens. All comparative experiences show that the process of accession of a country to the European Union brings along much more benefits for the candidate country, and those benefits are not only related to economy but to the development of a democratic society and institutions as well as adoption and development of European values in Serbia.

NB: During the public debate on the National Programme of Serbia's Integration in the European Union, some additions will be made to the part concerning the financial projection for the implementation of the NPI. Furthermore, it has to be pointed out that in the process of defining financial requisites it is necessary to take into consideration the dynamics of programming of the IPA fund (n+2), meaning that only mid-term priorities will be financed from the IPA 2008 funds.

ANNEX

REQUIREMENTS FOR IMPROVEMENT OF STATE ADMINISTRATION
(Overview of new employees by institutions)

	Institution	Institutional Department	Chapter	Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
1	Ministry of Economy and Regional Development										
		Employment Sector / Group for work abroad and migrations	02 FREE MOVEMENT OF WORKERS	Current	2	2	2	2	2	2	0
		Sector for the industrial sector management	20 ENTREPRENEURSHIP AND INDUSTRIAL POLICY	Current	12	15	15	15	15	15	3
		Sector for small and medium enterprises and entrepreneurship development	20 ENTREPRENEURSHIP AND INDUSTRIAL POLICY	Current	9	15	21	27	33	39	30
		Sector for the privatization process management and economic restructuring	20 ENTREPRENEURSHIP AND INDUSTRIAL POLICY	Current	7	14	14	14	14	14	7
		Sector for multilateral and regional trade and economic cooperation	29 CUSTOMS UNION / 30 INTERNATIONAL ECONOMIC RELATIONS	Current	10	12	13	15	17	17	7
		Sector for bilateral economic cooperation	29 CUSTOMS UNION / 30 INTERNATIONAL ECONOMIC RELATIONS	Current	12	16	18	20	22	22	10

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	Institution	Institutional Department	Chapter	Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
		Sector of the foreign trade regime policy	29 CUSTOMS UNION / 30 INTERNATIONAL ECONOMIC RELATIONS	Current	24	24	24	24	24	24	0
	Total				76	98	107	117	127	133	57
2	Ministry of Labour and Social Policy										
		Sector for retirement and disability insurance	02 FREE MOVEMENT OF WORKERS / 19 SOCIAL POLICY AND EMPLOYMENT	Current	3	3	4	4	5	5	2
		Sector for family care and social protection	02 FREE MOVEMENT OF WORKERS	Current							
		Labour Sector	19 SOCIAL POLICY AND EMPLOYMENT	Current	7	7	8	9	10	10	3
		Labour Sector - Department of social dialogue	19 SOCIAL POLICY AND EMPLOYMENT	Current							
		Sector for social protection and family care - Division of inspector supervision	19 SOCIAL POLICY AND EMPLOYMENT	Current	7	8	9	10	11	12	5
		Population Policy Sector	19 SOCIAL POLICY AND EMPLOYMENT	Current	6	10	12	13	14	14	8
		Sector for disabled persons protection	19 SOCIAL POLICY AND EMPLOYMENT	Current	9	9	11	11	11	11	2
		Sector for disabled persons protection - Group for	19 SOCIAL POLICY AND EMPLOYMENT	Current	3	3	4	4	4	4	1

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	Institution	Institutional Department	Chapter	Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
		normative affairs									
		Sector for disabled persons protection - Group for improvement of the situation of disabled persons	19 SOCIAL POLICY AND EMPLOYMENT	Current	5	5	6	6	6	6	1
		Sector for gender equality	19 SOCIAL POLICY AND EMPLOYMENT	Current							
		Sector for international cooperation and European integrations	19 SOCIAL POLICY AND EMPLOYMENT	Current	6	7	9	11	13	15	9
	Labour Inspectorate		19 SOCIAL POLICY AND EMPLOYMENT	Current	330	330	396	446	466	466	136
	Directorate for Safety and Health at Work		19 SOCIAL POLICY AND EMPLOYMENT	Current	2	5	5	5	5	5	3
	Social-Economic Council		19 SOCIAL POLICY AND EMPLOYMENT	Current							
	Regional Inspectorates		19 SOCIAL POLICY AND EMPLOYMENT	Planned	0	5	7	8	9	10	10
	Human and Minorities Rights Service		19 SOCIAL POLICY AND EMPLOYMENT	Current							
	Total				378	392	471	527	554	558	180
3	Ministry of Finance										

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				Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
		- Financial System Sector - Accounting and Audit Department									
		Group for normative affairs in accounting and auditing	06 COMPANY LAW / 03 BUSINESS DOMICILE AND FREEDOM TO PROVIDE SERVICES	Current	2	3	3	4	4	4	2
		Group for inspection supervision of enterprise operations and supervision concerning enterprise auditing	06 COMPANY LAW / 03 BUSINESS DOMICILE AND FREEDOM TO PROVIDE SERVICES	Current	0	3	6	6	6	6	6
		Department of State-Backed Support	08 COMPETITION	Current	3	4	16	16	16	16	13
		Fiscal System Sector	16 TAXES	Current	20	24	32	40	51	62	42
		Group for preparation of regulations which are not in the sector scope of work (public procurement and financing of political parties)	05 PUBLIC PROCUREMENT	Current	3	7	9	9	9	9	6
		Sector for programming and managing EU funds and development aid of the Department for programming of foreign aid	22 REGIONAL POLICY AND COORDINATION OF STRUCTURAL INSTRUMENTS	Current	15	18	23	28	32	35	20

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	Institution	Institutional Department	Chapter	Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
		Sector for programming and managing EU funds and development aid of the Department for transboundary cooperation	22 REGIONAL POLICY AND COORDINATION OF STRUCTURAL INSTRUMENTS	Current	25	25	30	35	40	45	20
		Finance Sector		Current							
		Group for securities and capital market	09 FINANCIAL SERVICES	Current	3	4	5	5	5	5	2
		Group for banking system, insurance and payment operations	09 FINANCIAL SERVICES	Current	0	2	4	4	4	4	4
		Group for foreign exchange system and policy	09 FINANCIAL SERVICES		1	2	3	3	3	3	2
		Sector for fiscal and macroeconomic analyses and projections	17 ECONOMIC AND MONETARY POLICY	Current	6	12	12	12	12	12	6
		Central harmonization unit	32 FINANCIAL SUPERVISION	Planned	0	14	18	18	18	18	18
		Internal Audit Department	32 FINANCIAL SUPERVISION	Current	8	8	10	10	10	12	4
		Sector of customs system and policy	29 CUSTOMS UNION	Current	16	18	28	28	38	38	22
	Tax Administration		16 TAXES	Current	20	125	200	240	240	240	220
		Head office - Contact Centre of Tax Administration	16 TAXES	Planned	0	55	55	55	55	55	55

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	Institution	Institutional Department	Chapter	Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
		Head office - Sector for tax and legal affairs and coordination - Department of international exchange of data and cooperation	16 TAXES	Planned	0	0	5	5	10	10	10
	Customs Administration		29 CUSTOMS UNION	Current	2542	2706	2856	3006	3156	3306	764
	Foreign Exchange Inspectorate (Departments in Belgrade, Novi Sad and Niš)		04 FREE MOVEMENT OF CAPITAL	Current	84	84	84	84	84	84	0
	Money Laundering Prevention Directorate		04 FREE MOVEMENT OF CAPITAL	Current	22	29	39	44	49	54	32
	Public Procurement Directorate	Commission for protection of rights / Members	05 PUBLIC PROCUREMENT	Current	5	5	5	5	5	5	0
		Commission for protection of rights / Service	05 PUBLIC PROCUREMENT	Planned	0	13	19	21	23	25	25
	Total				2775	3161	3462	3678	3870	4048	1273
4	Ministry of Interior										
		Protection and Rescue Sector	01 FREE MOVEMENT OF GOODS / 27 ENVIRONMENT	Current	180	190	220	270	330	400	220
	Service for Combating Organized	Department for Combating Hi-Tech Crime	07 INTELLECTUAL PROPERTY RIGHT	Current	2	4	6	7	7	7	5

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	Institution	Institutional Department	Chapter	Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
	Crime	Department for Combating Economic Crime	07 INTELLECTUAL PROPERTY RIGHT	Current	2	2	3	4	5	5	3
	Traffic Police Department		14 TRANSPORTATION	Current	7	8	8	9	10	10	3
	Total				191	204	237	290	352	422	231
5	Ministry of Trade and Services										
		Sector of Market Inspection	07 INTELLECTUAL PROPERTY RIGHT / 01 FREE MOVEMENT OF GOODS	Current	670	673	706	723	738	747	77
		Services Sector / Group for liberalisation of trade and services	03 BUSINESS DOMICILE AND FREEDOM TO PROVIDE SERVICES	Current	2	3	3	3	3	3	1
		Services Sector / Department for services in domestic market	03 BUSINESS DOMICILE AND FREEDOM TO PROVIDE SERVICES	Current	5	6	6	6	6	6	1
		Group for coordination of quality control of industrial - non-food products (petrol quality control)	27 ENVIRONMENT	Current	1	3	5	7	9	10	9
	Consumer Protection Section		28 CONSUMER PROTECTION AND HEALTH PROTECTION	Current	5	8	10	12	14	15	10
	Commission for Competition Protection	Service	08 COMPETITION	Current	3	3	6	6	6	6	3
		Council	08 COMPETITION	Current	2	5	5	5	5	5	3
	Service for Competition Protection		08 COMPETITION	Current	17	32	32	35	38	40	23
	Ministry of		15 ENERGY	Current	4	6	8	10	12	14	10

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	Institution	Institutional Department	Chapter	Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
	Trade and Services										
	Total				709	739	781	807	831	846	137
6	Ministry of Agriculture, Forestry and Water Management										
		Department for recognition and protection of agricultural plant types	07 INTELLECTUAL PROPERTY RIGHT	Current	12	13	15	15	17	17	5
		Sector for EU, WTO and international relations	11 AGRICULTURE AND RURAL DEVELOPMENT	Planned	5	5	30	40	50	60	55
		Sector for rural development and agriculture	11 AGRICULTURE AND RURAL DEVELOPMENT	Current	21	21	40	40	60	60	39
		Inspection Supervision Sector	11 AGRICULTURE AND RURAL DEVELOPMENT	Current	143	137*	137	145	152	160	17
		Sector of General and Legal Affairs	11 AGRICULTURE AND RURAL DEVELOPMENT	Current	27	30	35	40	45	50	23
		Sector for agrarian executi	11 AGRICULTURE AND RURAL DEVELOPMENT	Current	11	21	31	35	38	40	29
		Sector of analytics and agrarian policy	11 AGRICULTURE AND RURAL DEVELOPMENT	Current	35	45	65	85	105	125	90
		Sector of analytics and agrarian policy	29 CUSTOMS UNION	Current	35	45	65	85	105	125	90
	National Council for Protection of Rights Related to Engraftment		07 INTELLECTUAL PROPERTY RIGHT	Planned	0	0	3	5	5	5	5

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	Institution	Institutional Department	Chapter	Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
	of Plant Types										
	Land Directorate		11 AGRICULTURE AND RURAL DEVELOPMENT	Planned	0	64	90	110	120	130	130
	Veterinary Directorate		12 FOOD SAFETY, VETERINARIAN AND PHYTOSANITARIAN ISSUES	Current	436	436	476	516	556	596	160
	Republic Directorate for Water		27 ENVIRONMENT	Current	59	59	79	84	89	94	35
	Ministry of Agriculture, Forestry and Water Management	field: Genetically modified organisms	27 ENVIRONMENT	Current	1	1	2	2	2	2	1
	Forest Directorate		27 ENVIRONMENT	Current	96	96	96	96	96	96	0
	Forest Agency		27 ENVIRONMENT	Planned	0	0	0	40	40	40	40
	Total				881	836	1164	1338	1480	1600	719

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	Institution	Institutional Department	Chapter	Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
7	Ministry of Environmental Protection										
		Planning and Management Sector – Group for strategic environmental impact assessment	27 ENVIRONMENT	Current	3	4	5	7	7	7	4
		Planning and Management Sector – Department for environmental impact assessment	27 ENVIRONMENT	Current	7	7	8	8	9	9	2
		Control and Supervision Sector - Inspection for impact assessment, protection of air, water and action against noise	27 ENVIRONMENT	Current	31	43	43	43	43	43	12
		Control and Supervision Sector - Inspection for protection against ionizing and non-ionizing radiation	27 ENVIRONMENT	Current	5	5	7	9	11	11	6
		Control and Supervision Sector - Department for cooperation with international networks, local self-government, and integrated border access	27 ENVIRONMENT	Current	7	9	9	9	9	9	2
		Air Protection Department	27 ENVIRONMENT	Current	8	8	10	12	14	16	8
		Climate	27 ENVIRONMENT	Current	3	3	5	8	10	10	7

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	Institution	Institutional Department	Chapter	Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
		Changes Group									
		Waste Management Department	27 ENVIRONMENT	Current	9	11	14	16	18	18	9
		Control and Supervision Sector - Inspection for handling hazardous waste and other waste	27 ENVIRONMENT	Current	5	5	7	8	9	10	5
		Sector for Protection of Natural Resources - Water Protection Department	27 ENVIRONMENT	Current	6	10	10	12	14	16	10
		Department for Protection of Natural Resources	27 ENVIRONMENT	Current	20	24	27	29	31	33	13
		Control and Supervision Sector - Inspection for Environmental Protection in the fields of protection and use of natural properties, resources and fishing industry	27 ENVIRONMENT	Current	30	38	38	38	38	38	8
		Control and Supervision Sector - Department for accident procedures -SEVESO Inspection	27 ENVIRONMENT	Current	16	21	22	23	24	25	9
		Group for protection against noise and vibrations	27 ENVIRONMENT	Current	3	4	5	6	7	7	4

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	Institution	Institutional Department	Chapter	Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
		Waste Management Department	01 FREE MOVEMENT OF GOODS	Current	9	11	14	16	18	18	9
		Chemicals Management Department	01 FREE MOVEMENT OF GOODS	Current	12	13	13	13	13	13	1
		Fishing Industry Section	13 FISHING INDUSTRY	Current	5	5	6	6	10	10	5
		Section for protection against ionizing and non-ionizing radiation	28 CONSUMER PROTECTION AND HEALTH PROTECTION	Current	1	2	3	4	4	4	3
		Inspection	15 ENERGY	Current	4	4	5	6	7	7	3
	Environmental Protection Agency (Integral Cadastre of Polluters)		27 ENVIRONMENT	Current	1	1	8	10	12	15	14
	Environmental Protection Agency National Information System		27 ENVIRONMENT	Current	4	5	6	7	8	10	6
	National Ozone Office		27 ENVIRONMENT	Planned	0	3	3	3	3	3	3
	Unit for Management of Projects for Implementation of the Montreal Protocol		27 ENVIRONMENT	Planned	0	3	3	3	3	3	3
	Environmental Protection Agency		27 ENVIRONMENT / 01 FREE MOVEMENT OF GOODS	Current	7	9	29	52	54	57	50
	IPPC Inspection		27 ENVIRONMENT	Current	10	10	15	15	15	15	5
		License	27 ENVIRONMENT	Current	7	8	10	12	15	15	8

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	Institution	Institutional Department	Chapter	Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
		Issuance Department									
		EMAC/EcoMark Section for Cleaner Production Standards	27 ENVIRONMENT	Current	3	5	5	5	5	5	2
	Ministry of Environmental Protection	Chemicals Management Department	27 ENVIRONMENT	Current	12	13	0	0	0	0	-12
	Chemicals Agency		27 ENVIRONMENT	Planned	0	0	13	15	15	18	18
	Environmental Protection Agency – Group for Actions Against Noise		27 ENVIRONMENT	Planned	3	3	3	5	5	5	2
	Total				231	287	346	387	431	450	219
8	Ministry of Infrastructure										
		Traffic Safety Department	27 ENVIRONMENT	Current	7	6	11	11	11	11	4
		Traffic Safety Department - Homologation Section (today within the Institute of Standardization)	27 ENVIRONMENT	Planned	5	7	9	10	10	10	5
	Total				12	13	20	21	21	21	9

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	Institution	Institutional Department	Chapter	Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
9	Ministry of Mining and Energy										
		Sector for oil and gas in the field of fuel oil quality	27 ENVIRONMENT	Current	4	6	7	9	9	10	6
		Mining and Geology Sector	27 ENVIRONMENT	Current	1	2	3	3	4	4	3
	Ministry of Mining and Energy		15 ENERGY	Current	4	10	13	16	18	19	15
	Ministry of Mining and Energy		15 ENERGY	Current	4	5	8	10	12	15	11
	Inspection for Energetic Efficiency and O.I.E.		15 ENERGY	Planned	0	0	5	15	18	22	22
	Ministry of Mining and Energy		21 TRANS-EUROPEAN NETWORKS	Current	2	6	8	10	12	12	10
	Total				15	29	44	63	73	82	67
10	Ministry of Telecommunications and Information Society		03 BUSINESS DOMICILE AND FREEDOM TO PROVIDE SERVICES	Current	11	11	20	20	20	25	14
	Total				11	11	20	20	20	25	14
11	Ministry of Culture										
		Youth Sector	26 EDUCATION AND CULTURE	Current	8	8	10	15	20	22	14
		Sector for Protection of Cultural Heritage	26 EDUCATION AND CULTURE	Current	11	9	9	9	9	9	-2
		Sector of contemporary creativity, cultural industry and cultural	26 EDUCATION AND CULTURE	Current	12	12	12	12	12	12	0

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	Institution	Institutional Department	Chapter	Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
		relations (without cinematography)									
		Sector for international relations, European integrations and management development in the filed of culture	26 EDUCATION AND CULTURE	Current	10	10	10	10	10	10	0
		Media Sector	10 INFORMATION SOCIETY AND MEDIA	Current	19	16	16	16	16	16	-3
		Creative Sector (film)	10 INFORMATION SOCIETY AND MEDIA	Current	2	2	2	2	2	2	0
	Total				62	57	59	64	69	71	9
1 2	Ministry of Science		15 ENERGY / 25 SCIENCE AND RESEARCH	Current	52	52	52	52	52	52	0
	Total				52	52	52	52	52	52	0
1 3	Ministry of Justice		23 JUDICIAL AND BASIC ISSUES	Current	87	102	120	120	120	120	33
	Total				87	102	120	120	120	120	33
1 4	Ministry of Foreign Affairs										
	Directorate General for the European Union		31 FOREIGN SECURITY AND DEFENCE POLICY	Current	33	33	34	35	36	37	4
	Directorate General for NATO		31 FOREIGN SECURITY AND DEFENCE POLICY	Current	27	27	27	28	28	29	2
	Service for International Legal Affairs		31 FOREIGN SECURITY AND DEFENCE POLICY	Current	74	74	77	81	84	88	14

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	Institution	Institutional Department	Chapter	Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
	Total				134	134	138	144	148	154	20
15	Ministry of Defence										
	Office of the Minister of Defence		31 FOREIGN SECURITY AND DEFENCE POLICY	Current	1	1	1	2	2	2	1
	Secretariat		31 FOREIGN SECURITY AND DEFENCE POLICY	Current	1	1	3	3	4	5	4
	Serbian Army General Staff		31 FOREIGN SECURITY AND DEFENCE POLICY	Current	1	1	1	2	2	3	2
	Extraordinary Situations Directorate		31 FOREIGN SECURITY AND DEFENCE POLICY	Current	1	1	1	2	2	2	1
	Directorate of Budget and Finance		31 FOREIGN SECURITY AND DEFENCE POLICY	Current	1	1	2	2	3	3	2
		Defence Policy Sector	31 FOREIGN SECURITY AND DEFENCE POLICY	Current	4	5	5	8	8	9	5
		Material Resources Sector	31 FOREIGN SECURITY AND DEFENCE POLICY	Current	1	1	2	2	2	3	2
		Human Resources Sector	31 FOREIGN SECURITY AND DEFENCE POLICY	Current	0	1	1	1	2	2	2
	Total				10	12	16	22	25	29	19
17	Social Insurance Institute		02 FREE MOVEMENT OF WORKERS / 19 SOCIAL POLICY AND EMPLOYMENT	Current	60	60	60	65	65	65	5
	Total				60	60	60	65	65	65	5
18	Republic' Fund for Retirement and Disability		02 FREE MOVEMENT OF WORKERS / 19 SOCIAL POLICY AND	Current	6	6	8	9	11	12	6

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	Institution	Institutional Department	Chapter	Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
	Insurance		EMPLOYMENT								
	Total				6	6	8	9	11	12	6
19	Institute for Intellectual Property		07 INTELLECTUAL PROPERTY RIGHT	Current	103	122	126	132	137	142	39
	Arbitrage Commission within the IIP		07 INTELLECTUAL PROPERTY RIGHT	Planned	0	0	1	1	1	1	1
		Sector of Information and Educational Activities	07 INTELLECTUAL PROPERTY RIGHT	Planned	0	0	5	7	7	7	7
	Total				103	122	132	140	145	150	47
20	Institute of Statistics of the Republic of Serbia		18 STATISTICS	Current	514	539	608	632	653	664	150
	Total				514	539	608	632	653	664	150
21	National Bank of Serbia										
		Sector of Economic Analysis and Research - Normative Affairs	18 STATISTICS	Current	11	11	12	13	13	13	2
	*reorganizing of employees!	Foreign Exchange Sector	04 FREE MOVEMENT OF CAPITAL	Current	5	5	6	7	7	7	2
		Payment System Sector	04 FREE MOVEMENT OF CAPITAL	Current	1	1	1	1	1	1	0
		International Relations Sector	04 FREE MOVEMENT OF CAPITAL / 09 FINANCIAL SERVICES	Current	3	3	3	3	3	3	0

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	Institution	Institutional Department	Chapter	Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
		Bank Supervision Sector / Department of Leasing Supervision	09 FINANCIAL SERVICES	Current	3	3	5	6	7	7	4
		Insurance Supervision Sector	09 FINANCIAL SERVICES	Current	7	7	13	19	24	24	17
		Sector for Supervision of Voluntary Pension Funds Management Companies	09 FINANCIAL SERVICES	Current	2	2	2	3	4	4	2
	Legal Department		04 FREE MOVEMENT OF CAPITAL / 09 FINANCIAL SERVICES	Current	3	3	3	4	5	5	2
	Total				35	35	45	56	64	64	29
2	Government of the Republic of Serbia	Team for implementation of the Strategy for Improvement of the Situation of Disabled Persons	19 SOCIAL POLICY AND EMPLOYMENT	Planned	0	0	7	7	7	7	7
	Total				0	0	7	7	7	7	7
2	Foreign Investment and Export Promotion Agency PC (SIEPA)		20 ENTREPRENEURSHIP AND INDUSTRIAL POLICY	Current	27	30	30	30	30	30	3
	Total				27	30	30	30	30	30	3
2	Republic Privatization Agency		20 ENTREPRENEURSHIP AND INDUSTRIAL POLICY	Current							
	Total										

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	Institution	Institutional Department	Chapter	Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
25	Republic Development Agency MSPP		20 ENTREPRENEURSHIP AND INDUSTRIAL POLICY	Current	24	24	24	24	24	24	0
	Total				24	24	24	24	24	24	0
26	Republic Hydrometeorological Institute										
		Environmental Control Sector: Air Quality Department	27 ENVIRONMENT	Current	10	10	15	19	23	27	17
		Meteorology Sector: Department for technical meteorology and applied climatology	27 ENVIRONMENT	Current	24	24	27	28	29	30	6
		Environmental Control Sector - Water Quality Department and Department of Environmental Laboratories	27 ENVIRONMENT	Current	38	38	44	50	55	60	22
		Hydrology Sector	27 ENVIRONMENT	Current	71	74	80	85	90	95	24
	Climate Change Center		27 ENVIRONMENT	Planned	0	18	22	26	30	34	34
	Total				143	164	188	208	227	246	103
27	Water Regulatory Agency		27 ENVIRONMENT	Planned	0	0	10	10	10	10	10
	Total				0	0	10	10	10	10	10
28	Institute for Nature Protection		27 ENVIRONMENT	Current	121	121	125	130	135	140	19
	Total				121	121	125	130	135	140	19

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	Institution	Institutional Department	Chapter	Institution - Current or Planned	2007	2008	2009	2010	2011	2012	New employees
1	2	3	4	5	6	7	8	9	10	11	12
30	Institute for Standardization		01 FREE MOVEMENT OF GOODS	Current	77	97	97	97	97	97	20
	Total				77	97	97	97	97	97	20
31	Directorate of Measures and Precious Metals		01 FREE MOVEMENT OF GOODS	Current	151	155	165	175	185	200	49
	Total				151	155	165	175	185	200	49
32	State Audit Institution	Council	32 FINANCIAL SUPERVISION	Current	5	5	5	5	5	5	0
		Audit service	32 FINANCIAL SUPERVISION	Current	50	50	113	133	170	200	150
		Accompanying services	32 FINANCIAL SUPERVISION	Current	20	20	33	36	39	44	24
	Total				75	75	151	174	214	249	174
33	Energy Agency of the Republic of Serbia	Council	21 TRANS-EUROPEAN NETWORKS	Current	5	5	5	5	5	5	0
		Service	21 TRANS-EUROPEAN NETWORKS	Current	28	28	35	35	40	40	12
	Total				33	33	40	40	45	45	12
34	Air Force and Civil Aviation Directorate		14 TRANSPORTATION	Current	108	108	111	114	118	122	14
	Total				108	108	111	114	118	122	14
35	Securities Commission		09 FINANCIAL SERVICES	Current	40	45	50	50	50	50	10
	Total				40	45	50	50	50	50	10
36	Mining Agency		15 ENERGY	Planned	0	1	3	4	6	6	6

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1	2	3	4	5	6	7	8	9	10	11	12
	Total				0	1	3	4	6	6	6
37	Republic Directorate for Goods Reserves		15 ENERGY	Current	5	8	10	13	16	20	15
	Total				5	8	10	13	16	20	15
38	Energy Efficiency Agency		15 ENERGY	Current	4	5	8	11	15	20	16
	Total				4	5	8	11	15	20	16
39	Energy Efficiency Fund		15 ENERGY	Planned	0	0	8	12	15	15	15
	Total				0	0	8	12	15	15	15
40	Agency for Protection Against Ionizing Radiation and Nuclear Safety of the Republic of Serbia		15 ENERGY	Planned	0	10	20	40	40	40	40
	Total				0	10	20	40	40	40	40
41	Republic Radio Diffusion Agency		10 INFORMATION SOCIETY AND MEDIA	Current	50	50	50	50	50	50	0
	Total				50	50	50	50	50	50	0
	TOTAL				720	781	898	974	1039	1093	3737