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ANNEX VII

**to the Commission Implementing Decision approving the Reform Agendas and the
multiannual work programme under the Reform and Growth Facility for the Western
Balkans**

**REFORM AND GROWTH FACILITY FOR
THE WESTERN BALKANS**

REFORM AGENDA OF THE REPUBLIC OF SERBIA

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LIST OF ACRONYMS

ACER - The European Union Agency for the Cooperation of Energy Regulators

AERS - The Energy Agency of the Republic of Serbia

AFCOS - Department for Suppression of Irregularities and Fraud in Handling with Financial Funds of the European Union

AI - Artificial intelligence

BIO4 - biomedicine, biotechnology, bioinformatics, and biodiversity

CERT - The National Center for the Prevention of Security Risks in ICT Systems of the Republic of Serbia

CFSP - Common Foreign and Security Policy

CG&C - Career Guidance and Counselling

CGB - Central Government Buildings

CHU - Central Harmonization Unit

CMR - The Convention on the Contract for the International Carriage of Goods by Road

CPT - European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment

CSAC - Commission for State Aid Control

CSDP - The Common Security and Defence Policy

CSO - Civil Society Organization

CT/PVE - Preventing and countering violent extremism (PCVE) and countering terrorism (CT)

DESI - Digital Economy and Society Index

EC - European Commission

EDP - Entrepreneurial Discovery Process

EED - Energy Efficiency Directive

eFTI - Electronic Freight Transport Information

eIDAS - Electronic Identification, Authentication and trust Services

EMS - Elektromreža Srbije, a transmission system operator of the Republic of Serbia

ENTSO-E - European Network of Transmission System Operators for Electricity

EPBD - The Energy Performance of Buildings Directive

ERA - The European Union Agency for Railways

ERIC - European Research Infrastructure Consortium

ERP - Economic Reform Program

ESFRI - European Strategy Forum on Research Infrastructures

ESIA - Environmental and Social Impact Assessment

e-Space - The framework for spatial and urban planning including digitalisation of spatial and urban planning procedures

EU - European Union

EU ETS - The EU Emissions Trading System

FDI - Foreign direct investment

FESA - Forum of European Supervisory Authorities for Trust Service Providers

FMC - Financial Management and Control

FRONTEX - European Border and Coast Guard Agency

GDP - Gross Domestic Product

GDPR - General Data Protection Regulation
GHG - Greenhouse Gas
GIS - Geographic Information System
GPAI - The Global Partnership on Artificial Intelligence
GRECO - Group of States against Corruption
HJC - High Judicial Council
HPC - High Prosecutorial Council
HR - Human resources
IBRD - International Bank for Reconstruction and Development
ICT - Information and Communication Technology
ID card - Identity card
IDPs - Internally Displaced Persons
ILP – Intelligence-led policing
IMF - The International Monetary Fund
IMS - Integrated Management System
IPA - Instrument for Pre-accession Assistance
IPARD - EU pre-accession assistance for rural development
ISO - Independent System Operator
ITS - Intelligent Transport System
LEERUE - Law on Energy Efficiency and Rational Utilization of Energy
LEMP - Law on Election of Members of the Parliament
LFPA - Law on Financing Political Activities
LFS - Labour Force Survey
LGUs - Local Government Units
LLE - Law on Local Elections
LSG - Local self-government
MoF - Ministry of Finance
MoCTI - The Ministry of Construction, Transport and Infrastructure
MoEP - The Ministry of Environmental Protection
MoJ - The Ministry of Justice
MoME - The Ministry of Mining and Energy
MOP - Maximum Operating Pressure
MRA - Mutual Recognition Agreement
MRVA - Monitoring, Reporting, Verification and Accreditation
NAO - National Authorising Officer
NBS - The National Bank of Serbia
NECP - The National Energy and Climate Plan
NEET - Not in Education, Employment, or Training
NGO - Non-governmental Organization
OBI - Open Budget Index
ODIHR - Office for Democratic Institutions and Human Rights

OLAF - European Anti-Fraud Office
OSCE - Organization for Security and Cooperation in Europe
PAR Strategy - Public Administration Strategy
PBMC - Performance-Based Maintenance Contracting
PCI - Policy Coordination Instrument
PEFA - Public Expenditure and Financial Accountability
PFBs - Public Fund Beneficiaries
PFM - Public Financial Management
PFMRP - The Public Financial Management Reform Project
PIFC - Public Internal Financial Control
PIMIS - Public Investment Management Information System
PMI - Projects of Mutual Interest
PPOOC - Prosecutor's Office for Organised Crime
PROAE - Publicly Recognized Organizer of Adult Education
PwD - Persons with Disabilities
RDI framework - State aid framework for research and development and innovation
RED II - Renewable Energy Directive II
RELOF - Local Finance Reform Project
REM - Regulatory Authority of Electronic Media
RES - Renewable Energy Sources
RGF MC - Reform and Growth Facility monitoring committee
RS - Republic of Serbia
RTTI - Real-time traffic information
SAA - The Stabilisation and Association Agreement
SAI - State Audit Institution
SALW - Small Arms and Light Weapons
SAPS - New modern centralized ICT system for managing cases in the courts
SIGMA - Support for Improvement in Governance and Management
SLA - Service Level Agreement
SMEs - Small and medium-sized enterprises
SOCTA - Serious and Organised Crime Threat Assessment
SOE - State-Owned Enterprise
SORS - Statistical Office of the Republic of Serbia
SPP - Solar Power Plant
SWG - Strategic Working group
TAIEX - Technical Assistance and Information Exchange instrument of the European Commission
TEN-T - Trans-European Transport Network TEN-T
THB - Trafficking in Human Beings
TSO - Transmission System Operator

UN - United Nations

UNECE - The United Nations Economic Commission for Europe

UNESCO - United Nations Educational, Scientific and Cultural Organization

UNFCCC - The United Nations Framework Convention on Climate Change

UVR - The Unified Voter Register

V2X - Vehicle Infrastructure System

VC funds - Venture Capital Funds

VET - Vocational Education and Training in Europe

VMA - Military Medical Academy (MMA)

WB - Western Balkans

WBF - Western Balkans Fund

WBIF - Western Balkans Investment Framework

PART 1: OBJECTIVES AND COHERENCE OF THE REFORM AGENDA

GENERAL FRAMEWORK AND MAIN OBJECTIVES OF THE ECONOMIC POLICY

The economic activity in Serbia proved resilient, in view of the recent global challenges. It records growth recovery, a high inflow of foreign direct investments, a solid fiscal position, a reduction in inflation, records high foreign exchange reserves and a strong labour market. Despite economic prospects that are expected to remain uncertain, depending on further development of geopolitical circumstances, energy sector challenges, growth prospects of the most important economic partners, current inflation trends and overall unfavourable conditions on the international financial market, Serbia is on a stable reform path and with high performance can achieve most of the goals set out in the main strategic documents.

Through the Reform Agenda, as the central part of the EU Growth Plan for the Western Balkans, Serbia aims to accelerate reforms and the social and economic convergence with the EU. In reference to the main policy areas of the Reform Agenda, key reforms will be focused on: business environment and private sector development, energy sector, green and digital transition, human capital and fundamentals. Serbia has recognized the priority challenges within the next mid-term period, and with the participation of the entire Government and the involvement of interested parties, will work to address them in order to implement priority structural reforms and at the same time maintain fiscal stability and macroeconomic indicators at a high level.

In the recent years, the national economy has been affected by high prices of food and energy products, decline in the domestic production of electricity, weak growth of the most important trade partners and tightening of financing conditions. The growth of the gross domestic product in 2022 was 2.5%, and the same growth rate was achieved in 2023. A gradual acceleration of growth is anticipated in the medium-term. The projected growth rate in 2024 is 3.8%, and a return to the path of potential growth of over 4% is expected. Reforms envisaged by the Reform Agenda will support the finding of new sources of economic growth in the future, and bring Serbia closer to the EU. Accelerated integration into the EU Single Market, as envisaged with Pillar One of the Growth Plan, has much potential to narrow the convergence gap.

Fiscal deficits recorded in 2022 and 2023 of 3.2% and 2.2% of GDP, respectively, were consistent with the required turnaround of the economic policy with a view to restraining the inflation and creating reserves as a response to a high uncertainty. Fiscal measures helped reduce the impact of the energy crisis on consumers and businesses. More favourable circumstances in the energy sector in 2023, relative to the previous year, enabled a redistribution of unused funds planned for the energy sector to other expenditures, and with a better achievement of total revenue, they provide additional fiscal space, which was used for preservation and improvement of the living standard (extraordinary pension increase, salaries for employees in certain public agencies, aid for parents of children under 16, one-off aid for pensioners). A part of the fiscal space was also used for deficit reduction. The medium-term focus of the fiscal policy is on a gradual and moderate consolidation, while tailored measures continue to support the energy vulnerable households and enterprises, with a continued government activity of investing into the infrastructure and strengthening capital investments into the energy sector.

Last year was a record year with 4.5 billion euros of foreign direct investment, which confirms that Serbia continues to grow in all economic parameters and consequently brings continued development. The consistent growth of FDI has a positive impact on employment rates and general reduction of poverty. A future boost of FDI is expected by implementing measures envisaged within the Reform Agenda. Taking into account this favourable influences, the unemployment rate in Serbia is at a record low level in the last period and during 2023 reached 9% and was further reduced to 8.2% in the second quarter of 2024. In 2023, employment growth amounted to 2.2% compared to the same period of the previous year. The most significant contribution to growth was made by growth of employment in information and communications technology and scientific and technical areas.

The national public debt is still on significantly lower level than European average. Keeping the public debt below 60% of GDP will continue to be the main anchor for conducting fiscal policy. At the end of 2023, the share of public debt in GDP was 52.3%, and at the end of July 2024, it was 50.3%. In the fiscal projections for the next several years, the share of debt in GDP should fall below 50% of GDP. Serbia leads a clearly defined and responsible public debt management policy, which encourages sustainable economic growth through the financing of numerous infrastructure projects, while at the same time reducing its share in the overall GDP.

The backbone of a sustainable fiscal policy in the medium-term is a new set of fiscal rules, which are a sufficient guarantee for stabilisation and a sustainable path of deficit and debt. Until full application of general fiscal rules, which limit the deficit of the general government relative to the achieved level of debt, compliance with the needed deficit and debt reduction is ensured by the Fiscal Strategy of the Government and supported by the Stand-by Arrangement with the International Monetary Fund.

1 MAIN CHALLENGES (PROBLEM ANALYSIS)

Business environment and development of the private sector

In the last couple of years, the Republic of Serbia has made significant efforts toward improving its business environment and increasing the competitiveness of its economy. Serbia is constantly reducing the regulatory and administrative burden on businesses, with strong focus on digitalization, which results in competitive private sector that leads to growth and job creation.

The reforms set out in the Reform Agenda aim to tackle some of the main challenges that still exist in the policy area of Business environment and private sector development, aiming to further improve transparency, address fiscal risks, improve budget efficiency, and secure level-playing field and opportunities for all economic actors, and particularly to small and medium enterprises (SMEs). Fostering a competitive business environment will further contribute to the policies relevant to address employment and brain-drain.

Increasing the competitiveness of all market participants in the Republic of Serbia, including state owned enterprises (SOEs), will be achieved by creating an efficient system and measures for supervising the work of economic entities owned by the Republic of Serbia to enable faster economic growth and development and thus contributing to the overall economic development of the Republic of Serbia. Enhanced transparency in the operations of public enterprises is crucial to build trust and ensure accountability. Reforms in public investment management and public procurement are expected to significantly improve efficiency and effectiveness and increase the value obtained from public expenditures. Further on, efficient management of public enterprises as well as improving planning and monitoring of capital projects remains a priority for the Republic of Serbia. Fiscal risks monitoring has been in the focus of the Ministry of Finance over the past years, bearing in mind its importance for maintaining stability of public finance, as the key goal of the fiscal policy, and represents one of the preconditions for dynamic economic growth. For development of the private sector, Serbia is striving to increase investment through different incentives, while identifying all remaining burdens, improving predictability of business environment and combating grey economy. These measures are intended to create better opportunities and conditions for small and medium enterprises SMEs, which are vital for job creation and innovation. The crucial support to innovation and related policies are directed towards the ultimate goal of contributing to general growth. Moreover, improvements in state aid transparency are designed to ensure fair competition and prevent market distortions. The development of science and research in the highly changing global environment implies providing support for increase of investments in research and development, researchers and innovative companies, and incentivise cooperation between scientific and business communities.

The competitiveness of the business sector will also have to be achieved, among other measures, through amelioration of agriculture production, taking into account that Serbia has extensive tradition and vast comparative advantages in this area. Adopting new as well as implementing and revising existing relevant national legislation remains the main challenge, will bring Serbian agriculture sector closer to the EU standards.

While Serbia's business environment presents both opportunities and challenges, ongoing reforms and entrepreneurial initiatives are driving positive change, paving the way for sustainable economic growth and development across various sectors. In the previous period, significant efforts have been made to positively impact investment and development opportunities for entrepreneurs and the private sector development, as well as creation of a knowledge-based economy.

The Government of the Republic of Serbia identifies transparency and budget oversight as crucial components of good governance and is systematically implementing measures to enhance these areas. The Public Administration Reform and Public Financial Management strategic frameworks outline various reform measures that have increased transparency and budget oversight. These measures include enhancing the

transparency of budget documentation, improving the budgeting process, and prioritizing and controlling budget implementation more effectively. In response to the widespread negative impacts of emigration on global economies, the Republic of Serbia has adopted the Strategy on Economic Migration for the period 2021-2027 ("Official Gazette of the RS", No. 21/20). This strategy aims to address the challenges posed by emigration by fostering an economic and social environment that reduces the outflow of the working-age population. Additionally, it seeks to strengthen connections with the diaspora, encourage their return, and attract foreigners with diverse educational backgrounds.

The Growth Plan is expected to significantly contribute to the further development of the Serbian economy and its competitiveness, and compliance of economic criteria for the EU accession.

Green and digital transition

In the field of green and digital transition, the Republic of Serbia is facing certain challenges that are targeted by the Reform Agenda and focused on two subareas: energy sector transformation and digitalisation.

The Serbian **energy sector** is in a transition and transformation phase and is faced with fundamental structural changes that are conditioned by both global and national circumstances, as well as economic, technological, environmental and social factors and development goals. The energy system of the Republic of Serbia was the backbone of the economic and social development during the second half of the 20th century and in the first decades of the 21st century. To remain so in the future, the Serbian energy sector is transforming and upgrading, especially in terms of sustainability.

As a response to the challenges of global warming and climate change, both in the world and the EU, significant changes in the energy sector have happened last decades, most commonly described as the energy transition. In a narrower sense, this term refers to the phase out of coal as the main source of energy and the transition to "cleaner energy sources" and renewable energy sources (RES). It requires changes in the technology of energy production, but also in energy transformation, distribution, and consumption. Increasing energy efficiency in all parts of the energy chain remains a continuous principle and assumption of this process.

In a wider sense, the energy transition is the process of the overall transformation of the economy and society that aims to significantly diminish a negative anthropogenic impact of the energy sector on nature and the environment, especially related to the reduction of emission of greenhouse gases (GHG). The process of energy transition implies the use of new technologies and materials, digitization and smart control of processes, significant investments, but also a change of perception of all actors in the energy sector and in society as a whole.

The implementation of Policy area 2 Green and digital transition requires the energy sector transformation as its main component. The measures proposed aim at addressing the main challenges that the energy sector is facing in its transformation and decarbonisation process. Those challenges relate to: (i) the integration of the energy market of the Republic of Serbia with the single European energy market; (ii) ensuring affordable energy supply; (iii) Just Transition and funding for it through concrete projects; (iv) increasing the uptake of renewable energy; (v) implementation of energy efficiency measures and (vi) Implementing a robust Monitoring, Reporting, Verification and Accreditation (MRVA) system as a precondition for introducing carbon pricing emissions.

The Republic of Serbia has recognised the significance of the **digital economy** and society for strengthening bonds and cooperation within the region and increasing convergence with the European Union. The **digitalisation** is the top priority for the Serbian government focusing on the advancement of skills needed to take advantage of the possibilities offered by digital society, digitalisation of public services, improvement of broadband connectivity and cyber resilience, and active participation in the regional digital initiatives.

In the previous period, the Republic of Serbia was increasingly focused on improving the digital skills of citizens, as a lack in this segment may result in less innovation, lower levels of productivity or slower overall economic growth. The Serbian Strategy for Development of Digital Skills for the period 2020-2024, accompanied by two Action plans, is focused on improving the digital knowledge and skills of all citizens, including members of vulnerable social groups, to enable monitoring of the development of ICT technologies in all fields and to meet the needs of labour market. Specific objectives envisaged by the Strategy include improvement of digital competences in the education system, improvement of basic and advanced digital skills for all citizens, development of digital skills in relation to the needs of labour market and lifelong learning of

ICT professionals. Activities for the development of the new Digital Skills Strategy have already commenced and its adoption is expected by the end of 2024. Furthermore, the Strategy for Development of Information Society and Information Security 2021-2026 was renewed with a focus on the improvement of citizens' digital knowledge and skills, strengthening the capacities of public and private sector employees to use new technologies and improving digital infrastructure in education institutions. Also, Industrial Policy Strategy 2021-2030 highlights the growing skills gap in Serbia and envisages a transition from a lower-skilled workforce cost leverage to a skills-based advantage, since strengthening core skills and developing digital literacy will prove to be crucial in the shift to a skills-based economy in the Republic of Serbia. Education Development Strategy in the Republic of Serbia until 2030 highlights the importance of the EU competence frameworks and emphasises the links with other policies (such as smart specialisation and artificial intelligence) and the need to align education and training systems to match with these. The New Serbian National Strategy on Gender Equality 2021-2030 targets and promotes women's entrepreneurship by prioritising the economic empowerment of women. It also emphasises the need for a specific focus on areas where women are under-represented, such as green and circular, renewable energy, digital and knowledge economies.

Many policy actions oriented towards improving overall digital skills resulted in achieving the highest score in the Human capital dimension in the Western Balkans Digital Economy and Society Index (DESI), which was calculated for the Western Balkans (WB) region for 2022¹. Despite the good regional score, the Republic of Serbia still performs below the EU average in the human capital dimension, mainly due to lower results in the internet users' digital skills and a lower number of ICT specialists. While 81% of people in the Republic of Serbia used the internet in 2021, only half of them (41%) possessed at least basic digital skills. Also, a general shortage of ICT specialists in the EU labour market is evident in the Republic of Serbia. When compared to the EU, the Republic of Serbia reports excellent performance in the proportion of ICT graduates and female ICT specialists. The main challenge for the future remains in sufficiently equipping mostly adults with the necessary skills and literacy to become fit for the digital age.

The Republic of Serbia had the highest score in the DESI Connectivity dimension in the Western Balkans region with the above average coverage of very high capacity networks that can deliver gigabit speeds. However, this favourable fixed broadband coverage performance is not reflected in the overall fixed broadband uptake, as fixed broadband penetration reached 72% of all households in 2021, which is below the WB average of 77%. When it comes to mobile connectivity, in 2021 mobile broadband penetration in Serbia was higher (96%) compared to the EU average (86%). In 2021, 4G coverage in Serbia reached almost 99% of populated areas which is aligned with the EU coverage of almost 100%. In the overall broadband connectivity dimension, the Republic of Serbia is lagging behind the EU, predominantly due to 5G services which are not available.

The rapid advancement of digital technologies requires significant investments in electronic communication networks to meet the growing demand for higher bandwidth. End users are interested in obtaining access to high-capacity broadband communication networks, because they enable them to use advanced digital services, such as working from home, e-education or e-health.

In addition to the high construction costs, deployment of broadband communication infrastructure in the Republic of Serbia requires complex and lengthy procedures at different levels of public authority for obtaining various permits, including lengthy and uneven procedures related to environmental impact assessment, ensuring compliance with urban plans, settlement of property rights, obtaining rights of way, etc. All these require a significant amount of time from planning to execution, and in the case of mobile networks, can also affect the availability of locations for base stations. In this way, the roll-out of electronic communication networks is slowed down.

In order to tackle identified challenges, legal instruments in the broadband connectivity segment are still to be put in place, in particular full implementation of the Law on Electronic Communications, transposition and implementation of the Gigabit Infrastructure Act, together with specific measures to be taken regarding assignment of 5G spectrum and adoption of the 5G Security bylaw in order to transpose the EU Toolbox for 5G Security.

1 [Western Balkans DESI Report 2022](#)

In the field of cyber resilience, the Law on Information Security ("Official Gazette of the RS", Nos. 6/2016, 94/2017 and 77/2019) is in place which regulates measures for protection against security risks in information and communication systems, responsibilities of legal entities in managing and using information and communication systems, and the competent authorities for implementing protection measures, coordination between protection actors, and monitoring the proper application of prescribed protection measures. This law was adopted before the EU Directive on measures for a high level of security of network and information systems in the European Union (NIS1 Directive), but still is largely aligned.

Future steps in this area include the adoption of the new Law on Information Security which needs to be aligned with the new EU cyber security *acquis* i.e. NIS2 Directive.

The framework for spatial and urban planning including digitalisation of spatial and urban planning procedures (e-Space) will tackle challenges which exist in the urban planning area, such as a non-standardized way of delivering conditions and data for the purposes of preparing planning documents (data is currently delivered upon request in different formats and without mutual communication between different holders of public authority). Furthermore, there is insufficient visibility of the procedure and a lack of digital tools for better public participation. Currently, it is impossible to easily compare different planning documents aimed at checking their compliance and issuing documents that precede the authorisation of a building permit (lack of GIS and standards, namely in accordance with the EU INSPIRE Directive). Also, there is an inability to perform spatial analysis based on spatial data, especially those that should be aligned with the INSPIRE Directive.

The Republic of Serbia is making notable efforts to improve the availability of digital public services for citizens and businesses. The availability of digital services is constantly improving together with the ease of access to main public services. The COVID-19 pandemic served as an accelerator to more widespread acceptance and usage of e-government services by citizens and businesses.

Serbia adopted the e-Government Development Programme with the implementing 2023-2025 Action Plan in April 2023. The number of databases connected to the new government service information system has increased, and the number of public services available on the national e-government portal (e-Uprava) reaches the number of 340. The number of users of e-Uprava portal is over 2.1 million. The aim is further development of e-government infrastructure and services to have more public digital services available through the e-Uprava portal.

In addition to the continuous upgrade of e-Uprava portal, Serbia adopted the Programme for the Simplification of Administrative Procedures and Regulations, also known as e-Papir program, aiming to improve the business environment by simplification of administrative procedures and creation of a single register of administrative procedures. e-Papir is a good example of how to combine the process of simplifying administrative procedures with their digitalisation which are often looked at separately. The register was launched in 2021, and so far, at least 437 procedures have been simplified and 131 public services have been digitalised.

The availability of open data on the National Open Data Portal reached 2,198 datasets and 6,318 resources, and the number of institutions publishing data on the portal is 111 at the moment. Criteria for open data publication, annotation and organisation to facilitate its reuse are defined and datasets are provided in machine-readable formats. Users can use the open data portal to interact with the publishing institutions if they have questions on a particular dataset. Data from the national Open Data Portal are automatically published on the European Open Data Portal. However, the Republic of Serbia has not yet aligned its legal framework with the EU's Directive on Open Data and the Re-use of Public Sector Information.

The Serbian National Interoperability Framework aims to modernize public administration and considers interoperability as a key to the development of an information society. A key piece of Serbia's interoperability approach is the Government Services Bus (GSB) – a shared communication channel that connects public administration databases and allows secure information exchange. The number of datasets reached 61, including the Central Population Register. The advancing interoperability and strengthening government infrastructure for data exchange is a priority, with further plans to digitalise other registers and further integrate them through the establishment of a meta register, which would facilitate automatic data exchange within the public administration, saving time for businesses through the increased application of the once-only principle, which aims to ensure that users of digital services only need to provide certain information to the public administration once, which is then shared among administrations through the interoperable data exchange network.

The availability of electronic signatures, a key enabler for digital services requiring a high level of identity and authentication assurance, has improved, namely through the increase in the number of certified providers of qualified electronic certificates, necessary for e-signatures, and through the introduction of electronic national ID cards containing qualified electronic certificates, but the number of people using electronic signature is still limited. There are 8 qualified trust service providers which fully operate in accordance with the mentioned regulation. Furthermore, the Republic of Serbia is a member of FESA (Forum of European Supervisory Authorities for Trust Service Providers) and is very dedicated to regional cooperation in this field. So far, international agreements on the recognition of qualified trust services have been signed with Montenegro and North Macedonia. This year Serbia, as an observer, has joined eIDAS Expert Group which is supporting the tools required for the implementation of the EU Digital Identity Framework.

Moreover, the legal framework for the provision of public digital services and the use of e-signatures was strengthened by adoption of two important laws - Law on Electronic Government ("Official Gazette of the RS", No. 27/18) and the Law on Electronic Document, Electronic Identification and Trust Services in Electronic Business ("Official Gazette of the RS", No. 94/17), which is fully aligned with the EU eIDAS Regulation and relevant standards. Further efforts are needed to obtain full alignment of national regulations in this domain with the new EU Digital Identity Framework.

All e-government efforts resulted in ranking Serbia the first in the Western Balkans region in the Digital public services DESI dimension. E-government services were used by 40% of Serbian internet users in 2021, well above the WB average of 35%. Serbia performed very well on pre-filled forms (79), and on providing online services for both citizens and businesses. Serbia scores above the WB average on open data, too. Despite its very good regional position, when compared to the EU, Serbia underperformed in almost all observed indicators in the Digital public services dimension.

Contrary to the very successful digital transformation of the government sector, most Serbian enterprises still fail to capitalise on digitalisation. Regarding basic digital technologies, 22% of enterprises had an enterprise resource planning system for electronic information sharing in 2021 and 16% used social media for business purposes. These figures are notably below the WB averages. The adoption rates for advanced digital technologies are also low: 1% of enterprises reported using Artificial intelligence, 4% Big data. A much better situation is with the use of cloud computing, since 22% of enterprises reported using the cloud, which is above the WB average of 16%. Additionally, 58% of enterprises reported that they managed to reduce their environmental footprint through the use of ICT. In the SMEs segment, almost half of SMEs have at least a basic level of digital intensity, which is well above the WB average of 35%. 26% of SMEs made online sales, but only 3% reported sales to EU customers in 2021.

In the previous period, the Republic of Serbia rapidly implemented programmes and strategies that support digitalisation of business, including e-commerce which are expected to have a further positive impact on improving the digital transformation of businesses in the Republic of Serbia. One of the goals of the Industrial Policy Strategy 2021-2030 includes improved digitalization of the industry which will be achieved through the promotion of industrial digital transformation, education programmes and advising companies on the implementation of digital solutions in the industry, incentive support programmes to industrial digital transformation, increasing accessibility of financial instruments for industrial digitization and innovation, and ensuring adequate level of digital security. The Smart Specialisation Strategy 2020-2027 recognises ICT industry as a priority, since it is the fastest growing industry in Serbia and objectives set for ICT are focused on supporting new solutions using big data, business analytics, cloud computing, IoT, embedded systems, Artificial Intelligence, and blockchain technologies. Particularly important are ICT solutions that ought to be deployed to enhance public administration and strategic decision-making. The Strategy for the Development of Artificial Intelligence (2020-2025) is launched with the general objective of facilitating the use of artificial intelligence in favour of economic growth, employment and improvement of the quality of life. Special objectives of the strategy include the development of education geared to the needs of modern society and economy conditioned by the advancement of artificial intelligence, development of science and innovation in the field of artificial intelligence and its implementation, development of the economy based on artificial intelligence (where this is a key competence and where it is used in different industrial branches), improvement of assumptions for the development of artificial intelligence and public sector services through the implementation of artificial intelligence and ethical and safe application of artificial intelligence. The most notable achievements of the Strategy are the creation of The Institute for Artificial Intelligence Research and Development of Serbia, the introduction of master educational programs for artificial intelligence at three

universities in Serbia and the establishment of the public platform for artificial intelligence in the National data centre in Kragujevac. Another important landmark is the establishment of the Centre for the 4th Industrial Revolution which is focused on artificial intelligence and bioengineering.

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

Further steps in the domain of artificial intelligence include the adoption of the Law on Artificial Intelligence based on a high-risk approach.

The Republic of Serbia will, in 2025, be one of the two co-chairs of the Global Partnership on Artificial Intelligence (GPAI). The second co-chair will be selected at the GPAI Plenary Session, which will be held by the end of this year. As the incoming chair, the Republic of Serbia will also organize the GPAI Summit, where the Council, the highest representative body of GPAI at the ministerial level, will hold a session for the first time with a membership of 45 countries, including all OECD member states. Another sector which is experiencing several digital developments to support the transition to cleaner, greener and smarter mobility, in line with the objectives of the EU regulatory framework is the transport sector. The efficiency of freight transport is the key to the competitiveness of the transport sector, economy and the functioning of the domestic market. For this reason, it is very important to establish a national legal framework in this domain that supports the acceptance of electronic formats without limitations created by handwritten signatures and/or stamps. Electronic freight transport information should be accepted by authorities as a full equivalent of paper documents across all transport modes in case businesses decide to provide this data electronically.

Human capital

While Serbia has managed to successfully weather the impact of the COVID-19 crisis and pressures of inflation in maintaining a steady rise in employment rates as well as the progressive reduction of the rate of persons not in employment, education, or training, it remains lagging behind EU averages.² Responding to these challenges and accelerating Serbia's human capital development is a multi-faceted issue, requiring joint efforts from a wide array of actors.

Serbia has taken on the challenge of implementing the Youth Guarantee. Through the first Youth Guarantee Implementation Plan covering the 2023-2026 period, Serbia has recognized that youth employment and inactivity remain significant issues. The Plan specifies that 17.1% of young people aged 15 to 29 are unemployed, the rate being significantly higher than the 11.2% EU average.³ Even aside from the need to catch up to European rates, Serbia has acknowledged the benefits of Implementing the Guarantee requires working in phases, setting out a sequence of mapping needs and capacities, conducting outreach activities, preparing services and quality offers, and piloting/implementing actual delivery to young people. Successfully doing so requires a significant increase in the financial and human resources, as well as reforms in the actual means stimulating labour market outcomes, to provide the right offers to Serbia's youth, remaining mindful of disparities and specificities vulnerable groups like NEET women and minority groups like Roma face.⁴ The National Employment Service needs to develop councillor capacities to best match job seeker potential. IPA financing has supported the development of these resources, as well as the necessary outreach activities to

² The latest annual data for 2023 puts Serbia 5.7% behind the EU-27 average in terms of the employment rate (for the 20-64 age range) and the NEET rate (for the 15-24 age range) at 1.2% higher than the EU-27 average - https://ec.europa.eu/eurostat/databrowser/view/lfsi_emp_a/default/table?lang=e, https://ec.europa.eu/eurostat/databrowser/view/tipslm90/default/table?lang=en&category=t_educ.t_educ_outc, <https://data.stat.gov.rs/Home/Result/240003020301?languageCode=sr-Cyrl>.

³ https://ec.europa.eu/eurostat/databrowser/view/une_rt_a_custom_10714870/default/table?lang=en

⁴ Official Labour Force Survey data for 2023 notably shows that women have a 15-29 NEET rate that is 2.6% higher than for men, mirroring EU-level disparities - <https://data.stat.gov.rs/Home/Result/240003020301?languageCode=sr-Cyrl>. The Labour Force Survey does not produce data for Roma people or other national minorities but the National Employment Service will implement specific surveying as part of the registration process during implementation of the Youth Guarantee, based on voluntary expressions of ethnic/national identity.

ensure young people are registered, but additional support could provide the right incentive for further acceleration.

The European Commission has repeatedly, as in the latest Serbia Country Report,⁵ identified that the quality and relevance of education and training does not fully meet labour market needs. Underpinned by its Education Development Strategy envisaged to be implemented until 2030, Serbia has taken on the task of developing these systems further, while recognising the need to engage on all levels of education. Serbia is significantly behind EU-average preschool attendance rates.⁶ The Strategy recognises this as an issue of lacking infrastructure, of insufficiently modernised teaching programmes as well as a need to better communicate the benefits of preschool education, especially for marginalized communities. As per the findings of external evaluation, close to 30% of all primary and secondary schools in Serbia do not meet sufficient quality standards. This has also been recognized as an issue of lacking infrastructure, a challenge of developing practices of teaching and learning, as well as a need to work further with teachers to ensure they are well equipped to work with students in modern classroom settings. Serbia has identified new, innovative mechanisms to better engage students and help them achieve greater outcomes through concepts like practical, science-based learning, peer-learning, and career guidance but requires more investment to apply these concepts in schools. These mechanisms are expected to impact structural challenges, such as the brain-drain, which is as an increasing concern for businesses and economic growth,

Current strategic framework also envisages ambitious goals and focused measures targeting minorities, women and Roma.

Providing crucial linkage with labour market development is the significant achievement the education system has made in developing qualification standards. Serbia has taken on the comprehensive challenge of reforming its study programmes at all levels of education, including vocational education and training, to ensure qualification standards can be achieved. This process requires further, extensive consultations and analytical work with key stakeholders to develop the right means for complete integration. Efforts in this field require a comprehensive perspective, considering not just students in formal settings, but also students in a life-long learning perspective that is flexible to the needs of a modern labour market.

Fundamentals

Organized crime is today one of the most complex and dangerous threats to the security of the Republic of Serbia, economic stability and security of citizens and their property. Multiple forms of its manifestation, infiltration into various spheres of social life with extremely destructive potential, financial power of its bearers and constant striving to increase that power, transnational and transcontinental character, violent action and systemic consequences in the form of corruption and money laundering, constantly warn of the dangers that they equally threaten all societies, institutions and citizens.

Due to changed global and other circumstances, the nature of terrorist threats and activities has changed, which includes the connection of terrorist groups and organizations with organized crime, especially in the function of financing terrorism.

Serbia faces a specific risk of terrorism in the form of the danger of terrorist infiltration in the conditions of the influx of irregular migrants, who mostly come from war-torn countries, increasing the possibility that they will implement their radical goals not only in destination countries, but also in transit countries. In addition, illegal trade and smuggling of firearms, as well as their illegal possession, contribute to jeopardizing security in Serbia and are directly related to the potential commission of the most serious crimes.

The impact of illegal trafficking and possession of SALW creates a threat to security and safety in the Republic of Serbia. SALW contribute to the proliferation of crime and serious organized crime, by acting as the enablers of violence, threatening behaviour and terrorism. They also have a similarly negative effect on confidence-

⁵ https://neighbourhood-enlargement.ec.europa.eu/document/download/9198cd1a-c8c9-4973-90ac-b6ba6bd72b53_en?filename=SWD_2023_695_Serbia.pdf

⁶ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Early_childhood_education_statistics

building measures in the country and as a threat in the context of gender-based violence. It has a negative impact on women and children.

Also, Serbia still largely represents the country of origin, transit, and final destination of victims of human trafficking. Internal trade with domestic citizens as victims is dominant. They are exposed to various forms of exploitation, but sexual exploitation prevails, which mostly affects female minors. In addition, there are other forms of exploitation - forced marriage, forced labor, begging and coercion to commit criminal acts.

When it comes to internal affairs, the upcoming Law on Internal Affairs will be adopted to increase police efficiency, autonomy, and effectiveness.

The measures under the subarea Fight against organized crime will pursue objectives of strengthening the normative framework, notably the Law on Internal Affairs, Criminal Code, and a new Law on suppression and prevention of THB.

The draft Law on internal affairs aims to create legal preconditions for police autonomy from the Ministry of the Interior during the pre-investigation and investigation phases. It also aims to provide conditions for the prevention of torture and degrading procedures and to control attitudes towards persons deprived of their liberty, following the implementation of the recommendations from the Committee for the Prevention of Torture (CPT).

The changes within the Criminal Code will create a legal presumption that investigations for the criminal offense of illegal arms trafficking are carried out in an efficient manner and comply with the provisions of the UN Convention on Transnational Organized Crime and the Additional Protocol on Firearms.

The new Law on weapons and ammunition will be aimed at alignment with the provision of EU Directive (EU) 2021/555 which sets minimum standards regarding civilian firearms acquisition and possession that EU member states must implement into their national legal system. The Law on Suppression and Prevention of THB is the first Law in the Republic of Serbia that will comprehensively resolve all legal and procedural gaps in this area and create legal prerequisites for better procedural guarantees, protection, and guarantee of human rights of all participants in criminal proceedings, with an emphasis on the protection of victims of human trafficking.

Together with that, the next set of measures is dedicated to improving the public policy framework in the area of Small Arms and Light Weapons (SALW), to create preconditions and mid-term plans for the improvement of policy coordination, better coordination, response, and reaction among the state authorities responsible for fight against illegal trafficking and possession of SALW and to establish monitoring of the life cycle of weapons - from production to destruction to prevent its misuse and their transition from legal to illegal possession.

The measures under the subarea Security and migration will pursue objectives of strengthening the strategic framework in the area of CT/PVE in order to address all forms of violent extremism, radicalization, and terrorist threats together with the prevention of recruitment and efficient prosecution of Serbian nationals who are acting as “foreign fighters” on the third country territory.

Also, the set of reform measures are aimed to define documents in the form of standard operating procedures, instructions and mechanisms that will act preventively to reduce the possibility of a terrorist act, create early warning system against the possibility of radicalization and create contingency plans for the respond and management of consequences of a terrorist act.

In light of the information above, considering the enlargement process, all of the measures and reforms largely reflect the reform within the scope of the Chapter 24 Accession negotiation framework for the Republic of Serbia.

Considering that security is a prerequisite for economic growth, implementing measures and reforms will significantly enhance the security of Serbia, the Western Balkans, and the European Union, as well as foster economic development.

The legislative and institutional framework of Serbia in the field of **fundamental rights** is broadly in place. New strategies and action plans on gender equality, anti-discrimination and Roma inclusion have been adopted and are now being implemented. Serbia will continue with the work on a new action plan for the realisation of the rights of national minorities. This will help achieve tangible improvements in the effective exercise of the

rights of individuals belonging to national minorities and better data collection in the country. The fight against violence against women and domestic violence is one of the priority goals of the Government of Serbia. In the past period, significant progress has been made in terms of preventing and protecting from gender-based violence against women and domestic violence, as part of the overall gender equality policy, the implementation of which is stipulated by the Constitution of the Republic of Serbia. Regarding freedom of expression, Serbia remains committed to further strengthened legal framework that would lead to a tangible improvement in the area of freedom of expression. The strengthened legal framework needs to encompass new EU legal instruments and *Acquis*, as well as relevant new European standards, taking into account the need to timely involve all relevant civil society stakeholders in foreseen public policy processes.

Serbia has also made progress in the **fight against organised crime**. It is necessary to work on capacity improvement in the area of conducting money laundering investigations, financial investigations and capacity building in this area according to EU and international standards, all in order to establish convincing results in these areas.

Serbia has made good progress level of preparation in the fight **against corruption**. Serbia took steps in regard to the recommendations by the Group of States against Corruption (GRECO). The National Anti-Corruption Strategy for the period 2024-2028 was adopted by the Government on July 25, 2024. The adoption of the Action Plan will follow within 90 days from the date of adoption of the National Strategy, in accordance with the provisions of the Law on the Planning System of the Republic of Serbia. Upon this, Serbia is to establish an effective coordination mechanism to operationalise prevention and repression policy goals and thoroughly address corruption. Serbia fully understands the need to ensure comprehensive and systemic planning and regulation of anti-corruption processes. Corruption is a negative social phenomenon which significantly erodes the foundations of the social order, civic freedoms, the principles of democracy and fundamental human rights. Processes leading to the onset of corruptive environment take time, and in regions like the Western Balkans, they are linked to the conflicts, political changes, the weakening of the economic system, economic privatisation models, bankruptcies and other transformations of state ownership, and more generally – all other forms of transition policies. The legal and economic aspects of corruption present themselves as a series of rules and procedures that can be conducive to private interests at the cost of public interests. Therefore, the strategic framework will help Serbia prevent, suppress, channel and fight the risks and irregularities which result systemically from corruptive conduct before they develop into more serious forms, such as committing criminal offences. However, the verification of asset declarations as well as the enforcement and oversight over political party and campaign finance still present weaknesses in law and practice, while shortcomings also exist in the limited scope of Serbia's lobbying, conflict of interest, whistleblower protection and public procurement rules.

In the past years, Serbia has demonstrated continuous increase in the number of corruption investigations, as well as final convictions for high-level corruption cases. However, there is a need for more proactive criminal investigations, including against suspects of corruption who are close to political and economic power, and pre-seizure planning and a systematic tracking of money flows, aimed not only at asset recovery, but also at gathering circumstantial evidence of inexplicable wealth. This could support to increase the number of effective indictments and to improve the volume of cases of final confiscation of assets.

The adoption of the **strategic framework for the Judiciary** was motivated by, inter alia, the need to ensure a comprehensive and structured plan to ensure support for the reform activities in the field of judiciary, based on the reform targets and measures envisaged by the Judiciary Development Strategy and developed in more detail in the AP 23, the Human Resources Strategy for the Judiciary for the period 2022–2026 and the ICT Development Strategy for the period 2022-2027. An independent, impartial, accountable, competent, and efficient judiciary in Serbia is a prerequisite for tackling day-to-day challenges of transition and globalization. Hence, its modernisation, through the strategic framework and the application of creative normative and organisational solutions and openness to the public, is the best response to the high degree of complexity and dynamic quality of societal relations in the modern world and the information society's needs. This also requires that judicial office holders and employees in the judiciary possess relevant competences, knowledge, and skills so as to ensure full application of the principles of legality and predictability, concurrently with the application of modern work methods, and information and communication technology, which are required for the effective, efficient and economical work of the judiciary.

Fight against organised crime, security and migration management

Bearing in mind that the security is pre-condition for economic growth, Republic of Serbia in last couple of years started to develop its Strategic framework in order to implement different policies in this area with the goal to reduce the overall crime rate and to prevent potential terrorist attacks on our territory.

Together with the improvements within strategic framework, the new Laws and Bylaws were adopted, in order to improve regulatory framework and establish a clear and consistent penal policy aimed at perpetrators of the most serious crimes.

When it comes to the existing normative framework in the field of fight against organized crime, in addition to the Constitution of the Republic of Serbia, the Serbian normative framework related to the fight against organized crime includes the following laws: Criminal Law, Criminal Procedure Code, Law on organization and competence of state authorities in suppression of organized crime, terrorism, and corruption, Law on the Basics of Organizing the Security Services of the Republic of Serbia, Law on Police, Law on Records and data processing in the field of internal affairs Law on Security and Information Agency, Law on the Military Security Agency and the Military Intelligence Agency, Law on protection program for participants in criminal proceedings, Law on seizure and confiscation of the proceeds from crime, Data Secrecy Law.

Also, the Ministry of the Interior adopted the **Instruction on the classification and registration of organized criminal groups**, on May 25, 2022, as well as the new SOCTA 2023, that will cover the next four years and to establish a clear guidelines for operational activities and a proactive system in determining the priorities of conducting investigations in key areas of crime and to standardize methodology and practice. Additionally, a special organizational unit was formed in the Ministry of Interior, which deals with crime mapping.

Serbia effectively implements the SOCTA methodology, to develop a strategic picture of the risks and threats associated with organized crime on its territory and uses SOCTA to set operational priorities for fighting organised crime.

SOCTA is a strategic report developed through the scientific methods of analysis and prognosis, to create an objective baseline for adoption relevant strategic and operational decisions that will improve normative and institutional capacities of the MoI and other law enforcement authorities and achieve greater level of protection of fundamental rights and freedom of all citizens in Serbia. Serbia adopted the first SOCTA in 2015, in cooperation with CSO in Serbia, namely BCBP and SOCTA 2019 for a four-year period, together with the mid-term review of SOCTA 19.

In order to implement the objectives defined within the SOCTA, the Ministry of the Interior has developed the Strategic Police Plan which complements the goal in national SOCTA, in accordance with the Strategic Assessment of Public Security and the Article No. 24 of the Law on Police.

An integral part of the Strategic Police plan, in the subchapter related to organized crime is an Action plan for the implementation of the SOCTA 19 document.

Strategic assessment of public safety in Serbia presents the criminal intelligence information, based on the implementation of the ILP model in Serbia.

Strategic assessment of public security for the period 2022-2025, provides an overview of the situation and the movement of public safety, identifies the key security, threats, and risks, suggests strategic priorities in police performance and for each of priority provides the projection of movements and recommendations in terms of criminal intelligence and operational work, prevention measures for the strengthening the capacity, (normative, HR and technical) and promotion cooperation on the national and international level.

Within the Strategic Police Plan, the activities have been defined following the principles and standards of the ILP model, which is stipulated pursuant the Article No. 34 of the Law on Police, and which effectively directs the police performance in confronting the most serious security problems.

In order to fulfill the activities defined in mentioned documents, the Ministry of the Interior established the Strategic Working group - SWG which, on the annual basis finalise the achievements of Serbian police, for that period and in line with the conclusions of the SWG develop the baseline for the preparation of the new Strategic Police Plan.

All the conclusions, which are the outcome of the SWG are developed as a result of Operational reports, which are conducted through the ILP model and through which Serbian police defines the security priorities and operational planning for the next year. Priorities and related risks defined within the SOCTA: Drugs, People

smuggling, Irregular migration, THB, Banditry/ Robbery, Loan shark and Extortion, Motor vehicles, Weapon, Economic crime, Money laundering, Corruption, Cyber crime, Organized criminal groups.

Related to the weapons and ammunition, this area is regulated by the following legal framework: the Law on Weapons and Ammunition, together with the Law on Testing, Stamping and Marking of Weapons, Devices and Ammunition, the Law on Export and Import of Weapons and Military Equipment, the Law on export and import of dual-use goods, the Law on Production and Trade of Weapons and Military Equipment, the Law on Trade in Explosive Substances, the Law on Detective Activity, the Law on Private Security, the Law on Wildlife and Hunting, the Law on General Administrative Procedure, the Law on Police, the Criminal Code and the Criminal Procedure Code.

The following bylaws in the field of small arms and light weapons control were adopted on the basis of these laws: Decree on minimum technical conditions for mandatory installation of technical protection systems in banks and other financial institutions, Decree on detailed criteria for determining mandatory facilities and the manner of performing their protection, Rulebook on training in handling firearms, conditions for dealing with repair and modification of weapons and trade in weapons and ammunition, Rulebook on programs and manner of conducting training for private security, Rulebook on detailed conditions that must be met by legal and natural persons for conducting professional training for performing private security activities, Rulebook on color and components of the uniform of security officers, Rulebook on the manner of performing technical protection and use of technical means, Rulebook on the manner of taking the professional exam for performing private security activities, the amount of costs of organizing and conducting exams and the content and manner of keeping records, Rulebook on the manner of keeping the Register of persons authorized to perform activities export and import of weapons and military equipment, brokerage services and technical assistance, Rulebook on the manner of use of coercive means in performing private security activities, Rulebook on training and qualification of persons for performing detective work, the manner of conducting training and qualification and taking the professional exam for detectives, Rulebook on business premises for performing detective activities, physical and technical measures for keeping data collections and other records, Rulebook on the procedure for providing weapons for service, Rulebook on records kept legal entities and entrepreneurs, Rulebook on the content, appearance and manner of use of detective identification, Rulebook on the content, appearance and manner of using the ID of private security officers, Rulebook on spatial and technical conditions for safe storage and keeping of weapons and ammunition, Rulebook on the manner and forms of records on weapons and ammunition kept by competent authorities, Rulebook on the procedure for issuing, appearance and content of forms and documents on weapons provided by the Law on Weapons and Ammunition, Rulebook on determining the health ability of natural persons to hold and carry weapons, Rulebook on deactivating weapons, Rulebook on the manner of performing checks during testing, marking, individual testing or homologation of weapons, control of ammunition type, testing of deactivated weapons and weapons whose purpose has been permanently changed to civilian as well as the appearance of markings and stamps, Rulebook on the obligations of the customs authorities in the procedure of export and import and transit of weapons and military equipment, Rulebook on appearance of records kept Agency for Testing, Stamping and Marking of Weapons, Devices and Ammunition.

When it comes to the national normative framework in the field of the migration management, the Law on Foreigners, Law on Asylum and Temporary Protection, Law on Border Control and Law on Migration Management comprise the normative framework in migration management and asylum policy and, the Social Welfare Law and Family Law provide the normative framework that regulates social policies, organisation and work of social services, competences in social services and protection of children, guardianship, adoptions and foster care.

On the other side, education policies are regulated through the Law on Foundations of Educational System. In terms of healthcare, the normative framework is stipulated by the Law on Healthcare, whereas employment issues of foreigners are regulated by the Law on Employment of Foreigners and Criminal Code.

Related to the Law on Foreigners, the following by laws are in force: Rulebook on house rules and rules of residing at the shelters, Rulebook on the form used for refusing the entry into Serbia, for approving the entry into Serbia and the manner of entering information on refusing the entry in the foreign national's travel document, with the following: Decision on refusing the entry into Serbia and Decision on approving the entry into Serbia, Rulebook on the layout of the stamp of entry ban and the method of affixing the entry ban into a foreign travel document, Rulebook on the layout of the form for refusal of application for visa at the border crossing point and on the layout of the form for refusal of application for visa extension, with the following

forms: Decision on refusal of visa application at the border crossing point and Decision on refusal of the application for extension the validity period of a visa, Rulebook on detailed conditions and method of enforcing forced removal of a foreigner from Serbia, Rulebook on detailed conditions for the approval of permanent residence permit, the layout of the form for application for permanent residence permit, the layout and method of affixing a permanent residence sticker into a foreign travel document, with the following: Application for issuance of approval for permanent stay, Permanent residence sticker ,with the following: 1. Application for issuance of approval for temporary stay and Temporary residence sticker, Rulebook on detailed condition for the approval of temporary residence permit, the layout of the form of application for temporary residence permit, the layout and method of affixing a temporary residence sticker into a foreign travel document, with the following: 1. Application of approval for temporary stay, 2. Temporary residence sticker, Rulebook on the layout of the form and procedure of entering the obligatory stay in a travel document of a foreigner, with a form of the mandatory residence sticker, Rulebook on the layout of the form and procedure for issuing a travel document for a foreigner with the form for the foreigner's travel list form, Rulebook on the layout of the form of the application for foreigners, the procedure for registering the residence of the foreigners, the address of the residence, the change of the address of the residence, the registration and ban of the residence of foreigners, with the with the following forms: 1. Application for a foreigner's residence, registration of a change of address, registration of a foreigner's residence change, Rulebook on visas, with the following: Form for affixing the visa, visa issuance application, stamp of visa application, visa sticker, decisions on refusal of visa application, decision on cancellation or annulment of visa, Rulebook on the layout of the form and the procedure for issuing an ID card for foreigners and temporary ID cards for foreigners (Regulation on detailed conditions for refusal of entry of foreigners in Serbia Rulebook on detailed conditions and method of enforcing proposal for the imposing entry ban to a foreigner and supervision and control of foreigner upon entry and movement over the territory of Serbia, Rulebook on the layout of the form for application for issuing the special ID card, layout of the special ID card and the procedure for issuing the ID card.

By laws adopted following the adoption the Law on Amendment of the Law of Foreigners and the Law on Amendment of the Law of Employment of Foreigners: Rulebook on Submitting Requests for Permanent residence electronically, Rulebook on Issuing the Single Permit for Temporary Residence and Work of a Foreigner, Rulebook on Approval of Temporary Residence, and Rulebook on Approving Permanent Residence. Amendments to the Law on Foreigners stipulate the issuance of biometric residence permit cards for foreigners, i.e., a unified permit for temporary residence and work. National legislation has been harmonized with the European Union Regulation No. 2017/1954 amending Council Regulation (EC) No 1030/2002 laying down a uniform format for residence permits for third-country nationals.

In addition, amendments to the Criminal Code from 2016 amended Article 350 (criminal offense "Illegal crossing of the state border and people smuggling"). Amendments to the Criminal Code from 2016 in Article 350 prescribe a greater range of the threatened prison sentence for the perpetrator who enables illegal border crossing, unauthorized stay or transit through the Republic of Serbia from the previously prescribed 6 months to 1 year, to 1-8 years for the basic form of the criminal offense. For the qualified form of the criminal offense the prescribed sentence is increased from 1-10 years to 2-12 years of prison. For the organized form of this criminal offense, the prescribed sentence was increased from 3-12 years to 3-15 years in prison.

When it comes to the national normative framework in the field of fight and combating terrorism, the Republic of Serbia has signed 15 international legal instruments (conventions) to combat terrorism, making it one of the leading countries in the United Nations in terms of the number of ratified universal anti-terrorism instruments. The existing legal framework in Serbia, which regulates the fight against terrorism (prevention and suppression), is largely aligned with international standards, norms and *acquis* as well.

Related to the mentioned, the following laws are in force: Law on organization and competence of state authorities in suppression of organized crime, terrorism, and corruption, Law on Police, Criminal Law, Criminal Procedure Code, Law on Liability of Legal Entities for Criminal Offences, Law on Execution of Criminal Sanctions, Law on International Restrictive Measures, Law on seizure and confiscation of the proceeds from crime, Law on the Freezing of Assets to Prevent Terrorism and Proliferation of Weapons of Mass Destruction, Law on the Prevention of Money Laundering and the Financing of Terrorism, Law on Critical Infrastructure, Law on National Terrorism Database.

The Law on Critical Infrastructure was adopted in 2018, as well as the Regulation on the criteria for identification of critical infrastructure and the manner of reporting on critical infrastructure in Serbia.

The other two by-laws, the Rulebook on the method of the examination for the liaison officer and the Instruction on the methodology, method of preparation, and content of the operator's security plan will be revised in the coming period in accordance with the new EU regulations, with the support of experts and the project "Enhancing Protection of Public Spaces and Critical Infrastructures.

Within both processes, Serbia has always put emphasis on the protection of human rights and the protection of victims of perpetrators of criminal acts.

The reforms set out in the Reform Agenda aim to tackle some of the main challenges that the Republic of Serbia is still facing in the area of tackling serious and organized crime, and also to significantly contribute to the new strategic and normative framework, which will be in line with the EU policies in respective areas, and also in line with EU *acquis* and international standards in the area of Justice, Liberty and Security.

The impact of the goals of Reform Agenda will significantly contribute to the improvement of the track record for cases of organised crime, but also contribute for the overall regional cooperation and regional stability and security, bearing in mind that the strategic documents and normative framework will be updated in order to achieve high level of compliance with EU policies and the EU *acquis*.

2 OBJECTIVES OF THE REFORM AGENDA

In the field of **business environment and development of the private sector**, the Republic of Serbia is facing certain challenges targeted by the Reform Agenda, and based on three subareas: Business environment, Private sector development and Business sector competitiveness.

The first subarea **Business environment** is comprised of reform measures aimed at improving the efficient management of business entities owned by the Republic of Serbia as well as improving the overall management of capital projects. Professional and responsible management of SOEs will effectively protect and maintain the value of the SOEs portfolio. The objective is a well-established system of good corporate governance in the SOEs, which will contribute to the economic efficiency and increase its competitiveness. In addition, the normative framework regulating the process of preparation, evaluation, and monitoring of capital projects will have direct implications for the effective and efficient management of public funds, as its implementation enables the proper definition of objectives, adequate preparation, and an objective evaluation of the readiness of capital projects, as well as their adequate implementation and subsequent assessment of the effects achieved by the completed capital project.

The second subarea **Private sector development** consists of reform measures aimed at enhancing investment and developing opportunities for entrepreneurs and private sector, through better implementation of state aid and public procurement rules, and improved identification of parafiscal charges, etc. Also, this subarea covers reform measures intended for the development of the science and innovation ecosystem necessary for further development of a knowledge-based economy, which will be achieved through increased investment in research and development, researchers and innovative companies, and boosting cooperation between scientific and business communities. Full alignment with EU *acquis* in the area of research and development and investment in biotech start-ups shall have an overall positive impact on the private sector development, exports and halting the brain drain. Finally, this area comprises a measure which will contribute to the enhanced predictability of business environment by strengthening involvement of business community in the process of improvement of business related legal framework.

The third subarea **Business sector competitiveness** includes reform measures focused on enhancing the competitiveness of the agricultural sector by the way of aligning relevant national legislation in the field of food safety, improving rural public infrastructure and land consolidation. All envisaged measures will lead to a transformed agricultural sector, stable and sustainable production system, increase in exports and promoting regional development.

By implementing these comprehensive structural reforms, the business environment in the Republic of Serbia will be ameliorated by improving transparency, fiscal responsibility and support to SMEs, ultimately fostering economic growth and development.

Policy area **Green and digital transition** comprises of two subareas: Energy sector transformation and Digitalisation.

The main objective of the first subarea is to ensure *energy sector transformation* in accordance with the European rules governing the energy sector and ensuring its decarbonisation, while also ensuring energy security. For each of the challenges described above, measures and a concrete timeline have been proposed aiming to address the specific objectives that would contribute to achievement of the main objective – energy sector transformation.

One of the main objective to be achieved is the integration of the energy market of the Republic of Serbia with the Single European Market, which should result from implementing the Reform Agenda and the Energy Community Treaty. In order to ensure that this objective is achieved, the EU rules governing of the energy sectors need to be implemented. In addition to the rules from the Third Energy Package related to unbundling and certification, the implementation of the Electricity Market Integration Package is also pending. Ensuring that the regions are defined and operationalized is a necessary precondition for electricity market coupling. Diversification of natural gas supply and ensuring security of supply is also an objective that requires more interconnections with the neighbouring EU Member States and the Energy Community Contracting Parties.

Another important objective is ensuring affordable electricity price supply. The customer protection objective, encompassing reduction of energy poverty and improving the measures for protecting the energy poor and vulnerable customers, has always been part of the energy triangle and had to be balanced with the objectives of establishing an energy market. Increasing the electricity prices in order to ensure that the cost of supply is covered, needs to be done having in mind the need to ensure that all households have access to affordable energy supply. This process has been monitored and in close cooperation with the IMF. The Republic of Serbia has been obliged by the latest formulation agreed with the IMF as the IMF benchmark stated as an indicator in the Reform agenda and agreed regarding the electricity price.

Moreover, even the new amendments to the Electricity Directive that are in the final process for adoption by the European Parliament, include conditions for interventions in the end-user prices. Therefore, the Republic of Serbia is keeping the right to intervene in the end-user prices in line with the *acquis* through compliant Public Service Obligations.

Ensuring that the energy transition is just and that no one is left behind is another important objective accompanying the reform process. This requires designing the governance of such transition process and implementing concrete projects by having appropriate funding in regions dependent on mining and generating electricity from coal.

The electricity production from RES is an objective that would allow ensuring the needed flexibility of the energy system as well as transition to clean sources of energy, ensuring gradually phasing out of coal gradually and contributing to reduction of GHG emissions.

Ensuring that the cost of carbon emissions is transparent, as well as to incentivise the decarbonisation of the energy sector, requires introducing carbon price and developing of relevant mechanism with a view to joining the EU ETS upon accession to the EU. This requires implementing a robust, transparent and effective MRVA system following the EU rules.

Last but not least, saving energy is also a priority for the Republic of Serbia. Now that the legislative framework is following closely the EU rules, implementing the energy efficiency principles and increasing the funds available for renovation of buildings and it is another objective to which the reform agenda would focus.

The second subarea **Digitalisation** will continue to be a key priority for the Republic of Serbia in the coming years.

The reforms set out in the Reform Agenda aim to tackle some of the main challenges that still exist in this subarea and include the development of a secure and sustainable digital infrastructure, including rural broadband and 5G roll-out, further digitalization of public services and administrative procedures for citizens and businesses, strengthening digital skills and literacy, setting-up a comprehensive framework for cyber resilience and development of the intelligent transport system and e-fright.

An advanced, sustainable and secure digital infrastructure is one of the most fundamental building blocks of digital transformation. Timely and cost-effective deployment of very high capacity networks, including fibre networks and 5G, is the main objective that will enable significant economic opportunities and competitive advantage and represents the foundation base for future digital services.

In order to facilitate more cost efficient and faster development of very high capacity networks, significant investments are needed, and various measures that can speed up, facilitate and reduce the costs of development of very high capacity networks have a key role in achieving this goal. In the absence of government intervention, many rural areas would be left without a very high capacity network, because the deployment costs are significantly higher in those areas, and the willingness of end users to pay for the use of broadband access services is not high enough to cover the costs. This means that the development of very high capacity networks will never cover the entire territory of the country if it is left exclusively to the market mechanism. A very important step in this process is the transposition of relevant European regulations in this area and the establishing a regulatory framework that considers the best practices of the EU member states.

Measures used to enable the faster and sustainable development of very high capacity networks with lower costs mainly include shared use of existing infrastructure and enabling more efficient deployment of new physical infrastructure. These measures provide multiple benefits such as cost savings and avoiding unnecessary duplication of infrastructure and optimizing investment in very high capacity networks. Also, the shared use of infrastructure reduces the cost of infrastructure deployment and enables infrastructural competition, which has numerous positive effects for end users, including the possibility of choosing a network provider, better quality of service and lower retail prices.

Network security, especially of 5G networks, is another very important aspect of the development of digital infrastructure. The objective is to set up a coordinated European approach based on a common set of measures, aimed at mitigating the main cybersecurity risks of 5G networks that were identified on the national and the EU level. Transposition of the EU Toolbox on 5G Security in the Serbian legal system, prior to the deployment of 5G networks, will ensure that measures are in place (including relevant powers for national authorities) to respond appropriately and proportionately to the risks already identified, as well as possible future risks.

For further digitalisation of public services and administrative procedures for businesses and citizens very important step is full transposition and implementation of the new EU Digital Identity Framework and signing and implementation of the Mutual Recognition Agreement (MRA) of Trust Services with other partners of the Western Balkans and participation in a cross-border and inter-operable Balkan Identity Wallet and the EU Identity Wallet. This should establish a secure, interoperable, and user-friendly system of digital identities for citizens and residents in the Republic of Serbia. Also, it will allow universal access to digital identities, making the digital market more inclusive. The framework will expand the use of digital identities in public sector services, but also enable secure and easy access to a broad array of other services, including banking, education, and healthcare, thereby enhancing the convenience and efficiency of digital services in the private sector as well. Also, it will foster innovation by accommodating and encouraging the use of new technologies in electronic identification and trust services. It also aims to be flexible enough to adapt to future technological advancements and changes in the digital landscape.

New digital identity solutions should be inclusive and accessible to everyone, regardless of their technical expertise or access to technology. New technological solutions will be interoperable with those in the EU member states, which should facilitate seamless access to services across borders. Furthermore, this reform should provide SMEs with tools and standards to improve their operations, reduce costs, enhance security, and explore new market opportunities. This support is crucial for the growth and competitiveness of SMEs in the digital economy.

Additional public digital services that should be available on e-Uprava portal will include services that are relevant and “problem-solving” to businesses and citizens. The relevance of the services and solutions offered, their usability, together with highly available and quality user support and promotional activities, will positively influence the take-up of public digital services and solutions, and create a solid base for further digital transformation of businesses and even higher demand for digital public services and solutions.

The framework for spatial and urban planning including digitalisation of spatial and urban planning procedures (e-Space) will ensure an efficient exchange of data during the procedure of preparation of planning documents among holders of public authority, greater transparency of the procedure and more intense public participation through the use of digital tools, easier verification of the compliance of planning documents, easier and more efficient issuance of location information and location conditions and standardization of planning documents in accordance with the EU INSPIRE Directive.

In addition, the reform will enable better archiving of planning documents and their availability to everyone. Territorial attractiveness is one of the main goals of spatial and urban development policies. Better organization

and more efficient use of space should contribute to greater competitiveness, while simplified procedures and a clear insight into spatial possibilities and limitations, including the aspect of environmental protection (which was the basis for the adoption of the EU INSPIRE Directive) contribute to making informed business and other decisions.

Digital skills are a key driver of the widespread use of digital technology and strengthening adult education, training and relevant up-skilling opportunities of digital skills and literacy is a very important task for the Republic of Serbia.

The main objectives in this area include higher social inclusion, having in mind that digital skills training ensures that more people can participate fully in the digital society, accessing information, digital services, and opportunities online. Also, the reform in this field can contribute to labour market adaptability, recognizing that a digitally skilled workforce can better respond to the shifting demands of the global market, promoting job creation and economic stability. Businesses will be positively impacted by this reform, because digitally skilled workers can help businesses to adopt new technologies, optimize operations and compete more effectively in the digital marketplace. Digital literacy enables consumers to make informed decisions based on online research, reviews, and comparisons. Skills in navigating e-commerce platforms lead to convenience in shopping, banking, and utilizing other online services securely. Digital skills provide citizens with better access to information and services, including government services, healthcare, and education.

The proposed reform which is oriented towards the establishment of a comprehensive framework for cyber resilience is expected to significantly improve cybersecurity in the Republic of Serbia and will play a crucial role in promoting digital transformation for sustainable development, inclusive growth and innovation. It should strengthen trust in digital technologies and become essential for the adoption of digital solutions and acceleration of digital transformation, as well as contribute to the protection of critical sectors, bearing in mind that the preservation of essential services ensures that they operate reliably and sustainably.

Harmonization with the EU *acquis* in the area of cybersecurity supports the digital single market, making it easier for businesses to operate across the EU. The intervention also aims to level the playing field in the digital economy by providing clearer regulatory guidance and support, helping SMEs to navigate cybersecurity challenges more effectively and fostering innovation and growth. The Office for Information Security, which will be established, aims to consolidate existing resources in the field of information security and thus improve the response of the Republic of Serbia to challenges in the field of information security.

The harmonization with the EU *acquis* on cybersecurity also contributes to the European Union's Common Foreign and Security Policy through enhancing preparedness and response capacities. Advanced digital tools also enable better detection, monitoring and response to cyber threats. Investments in robust digital solutions could facilitate real-time information sharing and support defense mechanisms against cyber threats.

In the transport sector, coordinated implementation of the Intelligent Transport System (ITS) can lead to more modern, safe and efficient transport services, benefiting both transport users and transport operators. As the Republic of Serbia continues to develop and integrate into the European transport network, investing in ITS is essential to maintain competitiveness, improve quality of life and achieve sustainable economic growth.

The development of **human capital** through the Reform Agenda is to be incentivised through **two subareas**: Labour market and Education and skills. The first subarea includes the further development of the Youth Guarantee, aiming to provide young people with quality offers of employment, education, and training that enable their better social and economic position, as well as to foster a more competitive and inclusive labour market. Activities in this field are to remain mindful and to specifically address challenges vulnerable groups like NEET women and minority groups like Roma face in securing employment. In the second subarea, the Reform Agenda will incentivise further improvement of the accessibility, quality, and relevance of education to provide students with the knowledge, skills, and attitudes necessary to thrive in the modern labour market, countering the issue of brain-drain. This necessitates enhancing and retaining the capacities of teachers, stimulating infrastructural development, and further modernising of teaching and learning practices.

The reforms envisaged under human capital thus aim to provide Serbia's youth comprehensive support in formal and informal education and career journey to enable them to live rewarding and independent lives with meaningful engagement in their local communities and the modern world. Central to the individual reforms that are to be supported is the principle of linkage - the need to connect various policy areas, actors, partners, and perspectives to achieve results jointly. The Reform Agenda will enable the embedding of a life-long

learning perspective in Serbia, drawing together the needs and abilities of young and more mature people in the working population as well as people both out of work and already working, as it will stimulate the development of both a stimulating environment and concrete options for all to develop their abilities further in ways that directly contribute to their economic status and well-being. Likewise, the Reform Agenda is conceptualised as to consistently be mindful and respond to the potential vulnerable groups have in not just benefitting from a more developed education system, labour market, and economy but contributing to these systems, being viewed as forces of change rather than just end recipients. Given the very wide range of reforms to be supported, the Agenda is set to cover the entirety of both the education and labour pathway of Serbian citizens, starting from pre-school, early childhood education all the way to developing labour-market relevant skills while working. Within this, the Reform Agenda in certain reforms sets out specific objectives to monitor and support the transition from one phase to another, further embedding the necessary comprehensive approach to overall development.

In the field of **Fundamentals**, there are six subareas: Democracy, Fundamental rights, Fight against organized crime, Security and migration, Fight against corruption and Judiciary.

In the subarea Democracy, Serbia continuously intends to improve the electoral system to strengthen trust in democratic institutions, make the process more inclusive and transparent, and use the legal framework as a means to achieve this goal. The best way to achieve the objectives outlined in Article 3 is to respond to the outstanding ODIHR recommendations. In the development of indicators and steps, special attention was paid to addressing the most significant and therefore most demanding recommendations. This implies improving the normative framework, revising the voter register, and ensuring inclusiveness (expert CSO, opposition political parties) in the work of bodies under the auspices of the Parliament/Government that deal with improving the electoral system and process. This will also help addressing key findings in the EC Annual Report on Serbia.

In the subarea Fundamental rights, the objective of the work under the Reform agenda is to adopt the legislative package of the following laws: Criminal Code, Criminal Procedure Code, Family Law, Law on Prevention of Domestic Violence and the Law on Juvenile Offence and the Criminal Protection of Minors. This will contribute to the improvement and the substantial progress in the field of fundamental rights. The Criminal Code changes will affect a number of criminal offences such as crimes related to narcotic drugs, the crime of illegal production, possession, carrying and trafficking of weapons and explosive substances, crimes against the environment, as well as other crimes that need to be aligned with EU framework decisions and directives, as well as international conventions. Furthermore, the Criminal Code will expand the institute of necessary defence and adding disability as a special circumstance for sentencing for a criminal offence committed out of hatred, as well as a special part, in which interventions were made in certain criminal acts. Serbia will also amend the Criminal Procedure Code in order to find and prescribe solutions that will contribute to the elimination of observed problems in the application of the Code, which were proposed in most cases by participants in criminal proceedings, representatives of the public prosecution, the legal profession and the Ministry of Interior. Serbia will also amend the Criminal Procedure Code in order to find and prescribe solutions that will contribute to the elimination of observed problems in the application of the Code, which were proposed in most cases by participants in criminal proceedings, representatives of the public prosecution, the legal profession and the Ministry of Interior. The changes will bring terminological alignment with the amendments to the Constitution and judicial laws, primarily the position of public prosecutors since, change of the title of the supreme court of cassation, etc. The intention is to delete the institution of the preliminary hearing, since it has not taken root in practice. The new legal solution will specify the rights of the injured party, the defendant, and the arrested person. Alignment will also be carried out with Directive (EU) 2013/48 on access to a defence lawyer in criminal proceedings and in proceedings based on a European arrest warrant and on the right to inform a third party in case of deprivation of liberty and to communicate with third parties and consular representations. Also, in accordance with the Directive on the right to information in criminal proceedings (EU) 2012/13, the new legal solution will provide that the arrested person has the right to be informed of his rights in writing, to be allowed to read them and keep them with him during deprivation of liberty. In accordance with the Directive on the right to interpretation and translation in criminal proceedings (EU) 2010/64, alignment will be carried out, among other things, in the part that refers to the translation of letters, minutes, decisions and other material. There will be further alignment with Directive (EU) 2016/343 on the evidence by which these facts are determined. Alignment with the Directive (EU) 2012/29 will be done in the part that refers to the right of the injured party to be informed about the stage of the procedure. Also, alignments will be made with Directive (EU) 2016/800 and Council Directive 2004/80/EC.

The Law on Prevention of Domestic Violence will address the issues from the aforementioned Action plan such as femicide through the amendments of the relevant criminal legislation that are planned for 2024 and analyse the necessary amendments of the said law for changes in 2025. The amendments to the law do not plan to introduce a new criminal offence, as the term “femicide” is already encompassed by criminal acts classified as various forms of murder and other offences qualified by death. The main goal of drafting the new Law on Juvenile Offence and the Criminal Protection of Minors is to implement the activities provided for in the Action Plan for Chapter 23 – Judiciary and Fundamental Rights which foresees a review of the types and system of criminal sanctions for minors, special obligations, new educational orders, etc. In addition, it will align the provisions of the current Law with the provisions of the Criminal Procedure Code, the Criminal Code, the Law on the Organisation of Courts, the Law on Public Prosecution, the Law on the Police, the Law on the Execution of Criminal Sanctions and the Family Law, which were adopted after the current Law, as well as with other international instruments, and especially with Directive 2012/29/EU. Adoption of the Law on Amendments to the Family Law will include the abolition of underage marriages and more effective protection against domestic violence. Amendments will also refer to material provisions on domestic violence, by introducing new forms of domestic violence: inducing sexual relations with a child or a disabled person; leading, forcing or blackmailing a child into sexual relations through videos or photos with unwanted content; showing a child shorter or longer videos or photos of sexual or other inappropriate content via social networks and digital channels, as well as exploiting children for pornography; leading, forcing, enabling, encouraging or otherwise creating the conditions for establishing a child's extramarital union; restriction of freedom of movement or communication with third parties; persecution; insulting, as well as any other insolent, reckless and malicious behaviour, which can be done through digital channels and social networks; control and denial of economic resources needed to meet the needs of a family member or preventing a family member from performing economic activities (economic violence).

Serbia will also adopt the Action Plan on Minority Rights that would lead to a tangible improvement in the effective exercise of the rights of individuals belonging to national minorities throughout the country. The action plan will address the recommendations contained in the fourth opinion of the Council of Europe's Advisory Committee for the Framework Convention, to set up a sustainable data collection framework and to revitalise inter-ethnic relations, taking into account the need to involve the majority in Serbian society in integrating and including national minorities. Furthermore, the Action Plan 2024 - 2025 for the implementation of the Strategy for the prevention and fight against gender-based violence against women and violence in the family 2021 - 2025 will be adopted in order to ensure effective prevention and protection against all forms of gender-based violence towards women and domestic violence and to develop a gender-responsive system of support services for victims of violence. Together with this, the objective is to adopt the 2024-2025 Action Plan for the implementation of the Strategy of deinstitutionalisation. This document will assist the realisation of human rights to life in the community of social protection beneficiaries through the processes of deinstitutionalisation and social inclusion.

Central records will be established on all forms of violence covered by the Istanbul Convention through a new ICT system for courts that will implement modern achievements in electronic business and that will reduce manual repetitive processes and digitize court proceedings to a large extent. Once when centralized interoperable ICT systems are established in public prosecutor's offices and courts, it will be possible to automatically keep registers on cases of domestic violence jointly with police and social welfare centres. The new SAPS system, its workflow, time frame procedures and rules shall be compliant with the requirements of the Law on Prevention of Domestic Violence.

The National Network of Victim and Witness Support Services will comprise 20 support services established at high courts, while victim support officers will be systematised within the Acts of Systematisation at each high court. This will make the National Network of Victim and Witness Support Services fully operational and able to provide assistance and support services in line with the standards set out in the EU *acquis*.

Finally, the number of users of community services by licensed service providers will be increased by 18% in order to realise the right to life in the community of social protection beneficiaries through the processes of deinstitutionalisation and social inclusion, the provision of stable sources of funding and conditions for integration, thus preventing the placement of beneficiaries in institutions, that is, their return to local communities.

In the field of fundamentals, with focus on freedom of expression, the Republic of Serbia will undertake measures which are aimed at strengthening legal framework for freedom of expression, by amending the laws

on electronic media and on public information and media to align with the EU *acquis* and European standards and by adopting the law on public service media. In addition, Serbia will create a positive environment and culture of ethics and accountability, that will encourage media to uphold Serbian Journalist Code of Ethics. Specific measure regarding functioning of REM will contribute to enhancing transparency in the work of the regulator.

In the subarea Fight against organised crime, the Republic of Serbia is facing certain challenges which will be targeted by the Reform Agenda and based on one sub-area dedicated to the tackling of serious and organised crime.

This subarea is comprised of reform measures which are aimed to improve normative framework, notably Law on Internal Affairs, Criminal Code and a new Law on suppression and prevention of THB. Proposed changes in the Law on internal affairs will be aimed to create legal precondition for the police autonomy from the Ministry of Interior during pre-investigation and investigation phase and also to provide conditions for the prevention of torture and degrading procedures and the control of attitudes towards persons deprived of their liberty, along with the implementation of the CPT recommendation, while the changes within the Criminal Code create a legal presumption that investigations for the criminal offense of illegal arms trafficking are carried out in an efficient manner and at the same time and at the same time comply with the provisions of the UN Convention on Transnational Organized Crime and the Additional Protocol on Firearms.

The new Law on weapons and ammunition will be aimed to alignment with the provision of EU Directive (EU) 2021/555 which sets minimum standards regarding civilian firearms acquisition and possession that EU member states must implement into their national legal system. The Law on suppression and prevention of THB is the first Law in Republic of Serbia which will comprehensively resolve all legal and procedural gaps in this area and create legal prerequisites for better procedural guarantees, protection and guarantee of human rights of all participants in criminal proceedings, with an emphasis on the protection of victims of human trafficking.

Together with that, next set of measures are dedicated to improve the public policy framework in the area of Small Arms and Light Weapons (SALW), in order to create preconditions and mid-term plan for the improvement of policy coordination, better coordination, respond and reaction among the state authorities responsible for fight against illegal trafficking and possession of SALW and to establish monitoring of the life cycle of weapons - from production to destruction in order to prevent its misuse and their transition from legal to illegal possession.

In order to better streamline the work on the financial investigations through a strategic frame, it is planned to adopt an Operational plan of financial investigations by the end of 2025. This operational plan will present a continuation of the efforts started within the strategic framework of the Financial Investigation Strategy of 2015. Following the mentioned above, all the measures under subarea fight against organized crime will pursue objectives of strengthening the track record of investigation, prosecution and conviction of organized crime cases. After the new set of policy priorities are defined and the provision of the new laws are adopted, Serbia will create solid strategic background and normative framework to improve the track records in the field of organized crime, notably to enhance number of investigation, prosecution and final conviction in the field of THB and trafficking of firearms with increased number of value of asset seized and confiscated in serious and organized crime changes.

In the subarea Security and migration, the Republic of Serbia is facing certain challenges which will be targeted by the Reform Agenda and based on one sub-area dedicated to the tackling of security and migration challenges.

This subarea is comprised of reform measures which are aimed to improve strategic framework in the area of CT/PVE in order to address all form of violent extremism, radicalisation and terrorist threats together with the prevention of recruitment and efficient prosecution of Serbian nationals who are acting as “foreign fighters” on the third country territory.

The next set of reform measures are aimed to define documents in the form of standard operating procedures, instructions and mechanisms that will act preventively to reduce the possibility of a terrorist act, create early warning system against the possibility of radicalization and create contingency plans for the respond and management of consequences of a terrorist act.

To address challenges in this subarea, Serbia will continue harmonizing its visa policy with the EU. By December 2024, Serbia aims to align its visa regime with at least three countries whose nationals require visas to enter the EU. The country will actively contribute to managing mixed migration flows and strengthen cooperation with the EU Member States and neighboring countries in this area.

In the subarea of Fight against Corruption, The National Anti-Corruption Strategy for the period 2024-2028 was adopted by the Government of the Republic of Serbia on July 25, 2024. The adoption of the Action Plan will follow within 90 days from the adoption of the National Strategy, in accordance with the provisions of the Law on the Planning System of the Republic of Serbia. This important strategic document will thoroughly address several long-standing recommendations of the European Commission on issues such as, improving the track record of confiscating assets in corruption cases, amending legislation to improve the capacity of the Agency for the Prevention of Corruption, protecting whistleblowers, and investigating high-level corruption cases. This new strategic document shall improve Serbian strategic approach in the fields of 12 risk areas: Education, Health, Taxes, Customs, Local self-government, Public sector management, Public enterprises, Police, Privatisation, Construction and infrastructural planning, Financing of political parties and Public procurement. The areas of Whistle-blower protection, Lobbying and Transparency of work also need to be represented throughout the entire strategy within the all mentioned areas. Furthermore, the new strategic framework will provide for more proactive criminal investigations, including against suspects of corruption who are close to political and economic power, and pre-seizure planning and a systematic tracking of money flows, aimed not only at asset recovery, but also at gathering circumstantial evidence of inexplicable wealth. Serbia will use the proposed strategic frame to strengthen public trust and to foster accountability among law enforcement officials, greater transparency of the prosecution service and courts.

The new Strategy for the fight against corruption aims of strengthening existing and creating new systemic solutions for preventing corruption at all levels and raising awareness of the harmfulness of corruption, as well as creating conditions for more effective detection, prosecution and sanctioning of criminal offences, with continuous implementation and upgrade of existing anti-corruption mechanisms. More specifically, the new Strategy will focus on a number of challenges that exist in several areas of special risk.

In the field of **local self-government (LSG)**, the organisation, competences and way of working of local self-governments in Serbia has been identified as one of the key risks of corruption in terms of powers, way of working, but also importance for the life of citizens. Special emphasis is placed on the risk of the selection/appointment to the positions of managers in public services and other LSG organisations, the issue of dismissal of a public official, human resource and financial management, social protection, management of public property, management of information and data, inspection supervision and issuance of permits.

In the area of **public sector**, appointment and dismissal of public officials and civil servants in the position of managers or members of management bodies are seen as potential risk of corruption through ineffective control of the implementation of the Law on Civil Servants, lack of responsibility in case of violation of the provisions of the law, inspection supervision etc.

When it comes to **public enterprises** and other state-owned enterprises, risks are present in the appointment and dismissal of the director, members of the supervisory board and acting director of a public company, as well as a member of the assembly of a state-owned AD appointed by the Government. There is a challenge with financial management, management of property and public goods, provision of services and supervision of work of the public bodies and a possible conflict of interest.

In the field of **privatisation**, risks were also identified with procedures related to the Privatisation Act, but also with procedures for changing ownership from public to private ownership and procedures that are not carried out under the Privatisation Act, and which may represent a risk of corruption due to deficiencies.

Challenges with the **construction and spatial planning** area have also been identified in the subareas of preparation and adoption of planning documents (spatial and urban planning documents), issuance of construction permits, registration of changes in the real estate cadastre, execution of decisions on demolition (removal) of buildings and legalisation of buildings, as well as supervision over the implementation of planning documents adopted on the basis of the Law on Planning and Construction.

Addressing the problem of corruption in the **police** is of crucial importance for establishing public trust in institutions and strengthening the rule of law. The police as an area with special focus on the challenges with

human resource management, organisation, leadership and management of the MoI, detection and suppression of crime, traffic control and border control.

The complexity of the **customs system** and the wide jurisdiction contain the risk of corruption. Challenges persist in the field of implementation of the customs procedure, issuance of notices on the application of customs regulations, customs offences and initiation of offense proceedings and the conduct of administrative proceedings.

There is a need for further strengthening of preventive corruption mechanisms within the **tax system** as a consequence of the inconsistency in the implementation of activities that were defined by different action plans, and with special focus on tax control and tax assessment, regular and forced collection of taxes and secondary tax payments, misdemeanour warrant and initiation of a misdemeanour proceedings, as well as the management of tax accounting.

The **public procurement** system contains specific risk factor of informal prior agreements, tailoring of tender specifications according to the characteristics of privileged bidders, unnecessary procurement, inadequate supervision of the implementation of public procurement and secret agreements including cartels.

In the area of **education**, there are challenges with not enough transparency in registration, taking exams and evaluation in all educational institutions, as well as the transparency of adopted regulations governing the work of the educational inspection, the process of accreditation and subsequent control of the fulfilment of conditions for the work of state and private schools.

The **health system** is under special attention and at risk of corruption. Especially taking into account the fact that it is a system that deals with people's health, and for a person as an individual, health is one of the basic and essential issues of life, and that is where the special attention for the health system and all the irregularities that in such a large system originates.

The **financing of political activities** contains the following areas at risk: the status of political entities; source of financing; use of public resources; volume and distribution of budget funds; use of funds of the political entity for political activities; promotion by third parties and other types of indirect financing; keeping records and reporting; control, supervision and audit; prevention, detection and punishment of irregularities and disclosure of data.

Furthermore, Serbia will fill the vacant positions for prosecutors and judges in anti-corruption departments in accordance with the Annual Schedule of Judges (adopted by the HJC) and the Decision of the High Prosecution Council on the number of public prosecutors. Serbia's primary goal is to constantly and consistently improve its track record of efficient investigations, prosecutions, final judgements, seizure, and final confiscations in corruption, including high-level corruption. Serbia's plan is to identify all obstacles in practical work in the fight against corruption, in order to properly achieve the track record improvements in the field. Special working group will be set up to monitor the progress within the track record tables. This Working group shall analyse all the existing obstacles, propose concrete steps to improve the normative area and also to identify better indicators that would allow for monitoring and corrective measures to be taken. This will lead to an improved level of implementation of anti-corruption measures and overall improvements monitored through track record tables.

In the subarea of Judiciary, Serbia will continue with the filling the open vacancies in the judiciary and the prosecution service in line with the new legislative framework. The number of elected judges and number of public prosecutors shall be increased by 10 percent. On increasing the efficiency of the judiciary, Serbia will ensure a positive trend in the decrease of the case backlog in the administrative court. In particular, Serbia will take steps to reduce the disposition time of first instance cases in the Administrative Court by at least 55% by June 2027.

The Reform Agenda should provide also an explanation of how the reforms are expected to contribute to a **progressive and continuous alignment with the Union Common Foreign and Security Policy**, including restrictive measures. One of the strategic objectives of Serbian foreign policy is membership in the European Union. Also, in accordance with the National Security Strategy of the Republic of Serbia, the process of European integration and membership in the European Union represent a national interest. This public policy document clearly states that, in addition to further strengthening reforms based on the values as stated in Article 2 of the Treaty of Lisbon, EU membership would also enhance its own capacity to protect and pursue national interests. Until EU membership, Serbia must further strengthen its capacities for conducting an independent

foreign policy, having EU membership as a baseline in both policy and decision making process. In order to progressively align with the CFSP, Reform Agenda has been set as one of the means to address **key determinants of Serbian foreign policy (ie structural aspects of the foreign policy)**, namely:

- 1. The dialogue between Belgrade and Pristina.** Even though it is not a subject of reforms and thus not seen as integral part of the Reform Agenda, constructive engagement of Belgrade is seen throughout this document. This is noticeable in the approach to resolving outstanding issues in the electricity integration package. However, dialogue between Belgrade and Pristina remains to be obstructed by unilateral moves of Pristina which contravenes not only agreements reached within the dialogue, but also regional arrangements and respective SAA signed with the EU. All these are heavily affecting Serbian foreign policy goals and thus not contributing to normalization of relations.
- 2. Improving energy security.** Unlike the EU, which does have the means and mechanisms that serve to mitigate the negative economic consequences arising from the imposition of sanctions, the Republic of Serbia, as a candidate country, does not have such means. In this regard, Serbia's dependence on energy resources, must also be taken into account. However, while Serbia is facing issues related to diversification of its gas supplies, ensuring financing for gas infrastructure became very challenging. Hence, the Republic of Serbia is working on increasing its gas interconnections with the EU Member States and the Energy Community Contracting Parties. In this regard, the gas transportation systems of Serbia and Bulgaria are connected by a constructed gas interconnector Bulgaria-Serbia (IBS), while the construction of the gas interconnectors between North Macedonia- Serbia Gas and between Serbia and Romania are in the preparatory phase. In addition, the unbundling and certification of the Serbian TSO Transporgtas is to be finalized. All this strategic reforms are well set and addressed in the Reform Agenda and measured through qualitative and quantitative steps that will be achieved.
- 3. Investing in Digital (and cyber security) - The digitalization** is the top priority for the Serbian government focusing among other priorities on the improvement of broadband connectivity and cyber resilience. The harmonization with the EU *acquis* on cybersecurity also contributes to the European Union's Common Foreign and Security Policy through enhancing preparedness and response capacities. Advanced digital tools also enable better detection, monitoring and response to cyber threats. Investments in robust digital solutions could facilitate real-time information sharing and support defense mechanisms against cyber threats. In order to tackle identified challenges, legal instruments in the broadband connectivity segment are to be put in place, in particular transposition and implementation of the Gigabit Infrastructure Act, together with specific measures to be taken regarding assignment of 5G spectrum and adoption of the 5G Security bylaw in order to transpose the EU Toolbox for 5G Security. In the field of cyber resilience, future steps in this area include the adoption of the new Law on Information Security which needs to be aligned with the new EU cyber security *acquis* i.e. NIS2 Directive.
- 4. Improving business environment conducive to economic growth and development.** Reforms in this policy area further boost resilience of Serbian foreign policy through further alignment with the EU *acquis* pertaining to Public Investments Management and Public Procurements. On the former *an improved legal framework for public investment management, which establishes a unified, comprehensive and transparent mechanism for prioritizing all public investments regardless of type and source of financing, following consultations with the European Commission and in line with the Policy Paper and Action Plan, as well as with the best international standards, is to be adopted.* When it comes to public procurement all special and other laws/decrees introducing derogations from the public procurement legislation will be lifted.
- 5. Strengthen Fundamentals of the EU integration process.** To address challenges in the area of security and migration Serbia will continue harmonizing its visa policy with the EU. By December 2024, Serbia aims to align its visa regime with at least three countries whose nationals require visas to enter the EU.

In parallel to mentioned reforms, it is worth noting that **Serbia has, de facto, significantly expanded the number of foreign policy issues** on which it has reached an agreement with the European Union in the recent period (e.g. cyber-attacks, Myanmar, Libya, Nicaragua, Cuba, Belarus, Zimbabwe, Democratic People's Republic of Korea, Syria, Iran, etc.).

In line with the relevant articles of the Facility Agreement and EU Regulation on Reform and Growth Facility **Serbia is not and will not be a platform country for circumventing the EU's restrictive measures regime. This was already well recognized in the EC Annual Report.** Serbia agreed to accept requests for assistance from EU Member States and OLAF under Protocol 6 of the SAA on mutual administrative assistance in customs matters in order to investigate suspected cases of circumvention via its territory and/or by legal entities registered in Serbia of EU sanctions. This allows EU customs authorities to, where appropriate; seek assistance from the Serbian customs authority to investigate EU import or export transactions that may have breached any of the EU sanctions packages.

At the same time, the Republic of Serbia continues to significantly and substantially **contribute to the CFSP, including CSDP.** Serbia has so far participated in a total of seven EU military missions and operations, **with a total of 442 members of the Serbian Armed Forces.**

At this moment, Serbia is participating in 4 EU missions ("EUTM-Somalia" in Somalia, "EUNAVFOR-ATALANTA", "EUTM RCA" in the Central African Republic and "EUTM Mozambique" in Mozambique) with a total of 17 members of the Serbian Armed Forces.

Serbia had its first stand by period in the HELBROC battle group in the first half of 2020, thereby contributing to the further development of military capabilities and achieving interoperability with EU member states. The second stand by period was during 2023, while re-engagement is planned during 2026. In 2024, **the General Staff of the Serbian Armed Forces will host the plenary session of the HELBROC Battle Group.**

Last, but not least, Serbia has demonstrated its position (the principle of respecting the territorial integrity and sovereignty of Ukraine) by expressing an official position in international organizations such as the United Nations, the OSCE and the European Union on the most important issues for Ukraine. We have shown this by supporting it not only through declarations, but rather deeds demonstrated through a number of humanitarian and financial activities.

3 CONSISTENCY WITH THE OVERALL POLICY FRAMEWORK (INCLUDING THE ECONOMIC REFORM PROGRAMME, THE JOINT POLICY GUIDANCE AND THE ENLARGEMENT POLICY FRAMEWORK)

The reforms defined in the Reform Agenda in the field of **business environment and development of the private sector** largely reflect the reforms included in the Economic Reform Program 2023-2025 and the Economic Reform Program 2024-2026 and Policy Guidance of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkiye adopted in May 2023.

Proposed reform *Improvement of sustainable and efficient management of business entities owned by the Republic of Serbia* was part of the ERP 2024-2026 and aims at improvement of the management of state owned companies with the application of adequate corporate governance rules, which will contribute to better efficiency and lower costs. It is also related to the Strategy of State Ownership and Management of Business Entities owned by the Republic of Serbia for the period 2021-2027, and Public Financial Management Reform Programme 2021-2025. The proposed reform responds to Policy Guidance (PG) adopted in May 2023 (PG 2 addressing the SOEs and PG 4 on capital investments). The reform also addresses the recommendation in the latest Country Report for Serbia, from November 2023, that states that Serbia should put in place a unified, comprehensive and transparent system for capital investment planning and management. In addition to all previously said, the latest Memorandum of Economic and Financial Policies IMF also identifies this measure (in part G. SOE Reforms, point 40).

Implementation of the reform *Enhanced investment and development opportunities for entrepreneurs and private sector* will contribute to fulfilling the recommendations given to Serbia in the Policy Guidance of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkiye adopted in May 2023 (PG 4). These reforms are expected to significantly support the accession process of the Republic of Serbia by aligning national policies and practices with EU standards, thereby facilitating smoother integration into the EU framework. For several years, the Republic of Serbia has been committed to supporting competition, equal treatment, non-discrimination and transparency principles in the areas of public procurement and state aid, as well as improving transparency in the adoption and implementation of legislation. In line with the Program for Combating the Grey Economy 2023-2025 through listing all parafiscal charges, Serbia will further enhance

the predictability and stability of the national tax system which will have an overall positive effect on business environment and economic development by simplifying operation of business entities.

The reform *Further Development of the science and innovation ecosystem for a knowledge-based economy* is part of the ERP 2024-2026. As underlined in the latest Country Report, Serbia is at a good level of preparation in the area of science and research, with the constant increase of the number of start-ups and opportunities for private investors, technology transfer and economic growth. The implementation of this reform will further target an efficient knowledge-based economy capable of developing and delivering top-notch innovative products and services that are competitive in the global market. The reform has particular focus on the strengthening of linkages between science and companies, job creation and busting innovative entrepreneurship. Dedication of the country to these reforms has been confirmed by numerous strategic documents: The Smart Specialization Strategy of the Republic of Serbia 2020-2027, the Strategy for the Development of the Start-up Ecosystem of the Republic of Serbia 2021-2025, Artificial Intelligence Development Strategy 2021-2025 and the Scientific and Technological Development Strategy of the Republic of Serbia 2021-2025.

Enhancement of the competitiveness of the agricultural sector has been an important part of the reforms envisaged in the ERP for a last couple of years. Serbia has certain level of preparedness in agriculture and rural development as stated in the latest Country Report, so further reforms are needed in this area. Improvement of the business conditions in the area of agriculture sector and speeding up the alignment of the national legislation with the EU *acquis* has been and will be in the focus of the efforts of the Republic of Serbia.

The Reform Agenda in **Policy area 2 Green and digital transition** respond to challenges identified in the latest ERP 2024- 2026. The energy sector in the Republic of Serbia accounts for about 4% of GDP. In order to increase the contribution of the energy sector to economic growth, reforms will improve the energy efficiency, increase the volume of investments in the construction of new capacities, strengthen the integration with the internal energy market, increase the level of energy security, implement the decarbonisation process and increase the use of RES. It is necessary to align the national legislation with the EU *acquis* and achieve a greater level of transposition of the relevant *acquis*.

With reference to Joint Policy Guidance agreed at the Economic and Financial Dialogue in May 2023, Serbia adopted the National energy and climate plan (NECP) in line with the Green Agenda for the Western Balkans and international commitments. The Republic of Serbia also aims at further modernisation of its energy infrastructure and lower carbon emissions to accelerate the green transition also in the light of the adopted EU CBAM Regulation. Reducing overdependence on individual countries, accelerating renewables and energy efficiency, including further launching auctions for RES, further developing the administrative entity for energy efficiency and the sustainability of the financing mechanism are also envisaged. Implementing the price and tariff reform, as well as other reforms related to energy State-owned enterprises (SOEs), in line with Serbia's commitments under the stand-by arrangement agreed with the IMF in December 2022 will also continue. To further liberalise the energy market, accelerate the unbundling of all energy utilities in line with the EU *acquis* and, for the gas sector in line with Serbia's Action Plan, ensure that the regulatory regime is in compliance with EU *acquis*.

The envisaged reforms are aligned with the Sofia Declaration on the Green Agenda for the Western Balkans and committed to work towards the 2050 target of a carbon-neutral continent together with the European Union. At the beginning of 2021, the Republic of Serbia introduced the reforms of the national legal framework regarding energy and climate change, as the starting point for the energy transition process towards climate neutral development. A more complete harmonisation has been made with the implementation of the Third Energy Package and certain provisions of the EU package Clean Energy for All Europeans in national legislation. The Republic of Serbia adopted a new legislative package consisting of Amendments to Law of Energy⁷, Law on Energy Efficiency and Rational Use of Energy⁸, Law on Use of Renewable Energy Sources⁹,

⁷ Official Gazette of the RS, No. 62/23

⁸ Official Gazette of the RS, No. 40/21

⁹ Official Gazette of the RS, No. 40/21

Amendments to Law on Use of RES¹⁰, Amendments to Law on Mining and Geological Research¹¹, as well as the Law on Climate Change.¹²

With regard to the priority area integration and decarbonisation of energy markets, the implementation of the Reform Agenda is compatible with the objective to build on the work within the Energy Community and to implement the Energy Community Treaty to which the Republic of Serbia is a Contracting Party. Implementation of the Energy Community Treaty essentially requires implementation of the EU rules governing the energy sectors. This corresponds also to the measures that the Republic of Serbia would need to take within the accession process and implementing those would ensure compliance of national legislation with the EU directives and regulations governing the energy sector. This concerns not only the energy market rules, but also the rules related to renewable energy, energy efficiency and climate change.

Namely, with the implementation of the Reform Agenda with respect to the unbundling and certification of the TSOs, the Republic of Serbia would ensure complete implementation and completing the issues pending from the Third Energy Package. Implementation of the Electricity Integration Package would ensure electricity market coupling, i.e. integration of the Serbian bidding zone with the EU single electricity market. The implementation of the Reform Agenda related to implementation of the NECP as well as design of governance of a Just Transition through defining an action plan, establishing a fund and defining concrete projects, is in line with the Just Transition process in place in the EU and similarly would ensure that the energy transition process is just for every region and every citizen in the Republic of Serbia.

Implementing the renewables and the energy efficiency rules are aligned with the requirements of the accession process following the need for increasing both the generation from clean energy sources and the renovation of residential and non-residential buildings. Streamlining the permitting process and improving the energy infrastructure would ensure increased integration of RES into the system.

Finally, the Republic of Serbia would be required to join the EU ETS once becoming the EU Member State a precondition, the MRVA package should be implemented. This requires designing a system and strengthening capacity in the country, in order to ensure that carbon emissions from the energy sector are transparent, monitored and verified in line with the requirements of the EU law.

The reforms defined in the Reform Agenda in the field of **digitalisation** largely reflect the reforms included in the ERP 2024-2026. ERP 2024-2026 recognizes digital transformation as one of the structural reform areas. It emphasizes that the most dynamic sector in the Republic of Serbia in the last ten years has been the ICT sector, making this sector the main driver of development and economic growth.

Implementation of the reform referring to the development of the secure and sustainable digital infrastructure is expected to contribute to the implementation of ERP 2024-2026 Structural reform 2 “Improvement of the regulatory framework and infrastructure for the development of a knowledge-based economy”. According to the Country Report for 2023, the Republic of Serbia is moderately prepared in the field of electronic communications. Limited progress was made by means of the adoption of the Law on electronic communications (“Official Gazette of the RS”, No. 35/23) and further efforts should be put to further align electronic communications legislation with the updated EU regulatory framework. Proposed reform in this area will contribute to the fulfillment of certain recommendations from the 2023 Country Report, namely the transposition and implementation of the Gigabit Infrastructure Act, which is about to replace the Broadband Cost Reduction Directive. Also, with the adoption of the secondary legislation on minimum conditions for issuing individual operator licences for 5G spectrum use, the legal framework for conducting spectrum auction for 5G “pioneer bands” of 700 MHz and 3.5GHz will be in place. Construction of ultra-fast broadband infrastructure in rural areas and support for the digitalisation of schools will continue and adoption and implementation of measures to mitigate risks associated with 5G networks based on EU Toolbox for 5G security is on the Reform Agenda in the period ahead.

Proposed reform oriented to further digitalisation of public services and administrative procedures for businesses and citizens is also part of the ERP 2024-2026 Structural reform 2 “Improvement of the regulatory

¹⁰ Official Gazette of the RS, No. 35/23

¹¹ Official Gazette of the RS, No. 40/21

¹² Official Gazette of the RS, No. 26/21

framework and infrastructure for the development of a knowledge-based economy”. The harmonization with the EU Digital Identity Framework shall contribute to fulfilling norms of Stabilisation and Association Agreement (Article 105), where is stipulated that collaboration will be developed in all areas related to the EU *acquis* concerning the information society. It is stated that the cooperation will support the gradual alignment of Serbia's policies and regulations in this area with those of the EU. Moreover, the parties will also collaborate to further develop the information society in the Republic of Serbia. The agreement provides that the global objectives include preparing society for the digital era, attracting investments, and ensuring the interoperability of networks and services. The Country Report for 2023 identified that the Republic of Serbia is moderately prepared as regards public administration reform and limited progress was made in this area, notably through the continued development of e-services and implementation of the e-government policy. Currently, 11 services of the Ministry of Internal Affairs, 15 services of the Ministry of Construction, Transport, and Infrastructure, 30 services to be digitized via EDGE, 15 services of the Business Registers Agency, and 16 services through the EU4BED project are either in preparation or undergoing digitization. Additionally, in the next six months, procurement for the digitization of a minimum of 60 more public administration services is expected, potentially bringing the total to over 140 public administration services by 2027. All planned services are expected to be available on the eGovernment Portal, except for the 15 services of the Business Registers Agency. Additionally, through greater transparency and efficiency of planning procedures for spatial and urban planning, the business/investment environment would be improved, and thus the number of jobs would increase. Better information and greater involvement of all relevant actors would contribute to better planning solutions that would increase the attractiveness of living and working spaces.

The proposed reform concerning the strengthening of adult education, training and relevant up-skilling opportunities of digital skills and literacy is part of the ERP 2024-2026 and aims at delivering an efficient knowledge-based economy capable of developing and delivering first-class innovative products and services. The reform also addresses the recommendation from the Country Report for 2023, which states that there are certain structural problems in the functioning of the market economy, and persistent skills mismatch is mentioned as one of the reasons. Improving the digital skills of adults should influence the strengthening of competences and the development of market economy structures.

The proposed reform oriented to setting -up a comprehensive framework for cyber resilience corresponds with Structural reform 2 “Improving the regulatory framework and infrastructure for the development of the knowledge-based economy” defined in the ERP 2024-2026. According to the 2023 Country Report, in the field of cybersecurity, Serbia possesses the relevant legal framework and has a functioning national computer emergency response team (CERT). Proposed reforms in this field should implement European Commission’s recommendations concerning strengthening and upgrading of CERT capacities and further alignment of legislation with the EU *acquis* on cybersecurity. The harmonization with cybersecurity *acquis* shall contribute to fulfilling norms of Stabilisation and Association Agreement (Article 105), where is stipulated that collaboration will be developed in all areas related to the EU *acquis* concerning the information society.

The ERP 2024-2026 also defines reform of the transport market and in the field of transport it mentions drafting of the National Traffic Development Strategy for the period 2023-2030 within the Western Balkans Trade and Transport Improvement project. As a part of these activities, the Draft National Strategy/Programme of a Smart Traffic System (*Intelligent Transport System - ITS Strategy and Actin Plan*) was prepared, which includes not only road traffic, but also railroad traffic in terms of implementation of modern ITS technologies and innovations. The final draft documents were presented in March 2024.

Employment, issues of the labour market, education, and the development of skills have a prominent position in the ERP 2024-2026. Specifically, Structural Reform 5: Education for Sustainable Development and Work Readiness sets out the goal of increasing the relevance of the education system through a multidimensional focus on learning connected to practical work, thus providing a more efficient response of the education system to the needs of the economy and employability. It sets out to achieve this through developing qualifications so that they are more relevant to the labour market, developing the means to learn through work and practice at all levels of education, with highlighting the development of resources for dual education and the improvement of career guidance and counselling (CG&C). The Programme also sets out as a measure the improvement of the conditions for the development of knowledge and skills in the education system to increase students' interest in science, technology, engineering and mathematics, developing a workforce that meets labour market needs. This necessitates both infrastructural development as well as developing the capacity of teachers to develop students' inclination towards scientific research and creativity,

necessary for future employability. Through Structural Reform 6: Improved Conditions for Greater Share of Youth in the Labour Market, Serbia has affirmed piloting of the Youth Guarantee.

The Joint Policy Guidance agreed at the Economic and Financial Dialogue in May 2023 highlights increasing employment, in particular of young people, women and vulnerable groups, and further investment in VET and other education as a part of the three key areas of structural reforms.

The Action Plan for Chapter 19: Social Policy and Employment contains a provision to integrate the Council Recommendation on Establishing a Youth Guarantee into its strategic framework. While Chapter 26: Education and Culture is provisionally closed, the issued joint position on education did state that Serbia should continue reforming its study programmes, qualifications framework, and lifelong learning systems.

The Youth Guarantee is one of the ten flagships of the Economic and Investment Plan, with Serbia engaging in developing the Youth Guarantee Implementation Plan, piloting, and looking towards further implementation. All activities regarding education will be in line with the Education Development Strategy that will be implemented until the end of 2030.

The activities under **Fundamentals** are set to pursue the Economic and Investment Plan for the Western Balkans and its recommendation to overcome shortcomings in the rule of law and to fight against corruption, since the good governance is foundation for sustainable economic growth. Establishment of independent, impartial and effective judiciary are the complementary aims of the national strategies in the sub-sector. The strategies are prioritising the effective dismantling of criminal organisations and their economic basis, as well as financial investigations and asset confiscation.

A credible accession perspective is the key incentive and driver of democratic transformation. It is also a key tool to promote democracy, rule of law and the respect for fundamental rights, which are also the main engines of economic integration. Hence **proper functioning of Serbia's democratic processes is a central pillar of Serbia's EU accession process**. Adequate planning and mapping in strengthening democratic institutions belong to Cluster 1 - Fundamentals. In addition, one of the specific objectives of the Reform Agenda, as stated in Article 3 of the Regulation, is the functioning of democratic institutions as well.

The national strategic framework is addressing the requirement of the European Commission Western Balkan Enlargement Strategy by prioritising the rule of law and the respect for fundamental rights in the forthcoming period. These strategies are focused on judicial reforms, fight against corruption, organised crime, thus pursuing the agenda of the Flagship initiative 1 – strengthening the rule of law.

Strengthening of the rule of law and institutions, fight against corruption will contribute to implementation of the ERP 2024-2026, specifically the area of business environment and fight against grey economy.

All of the reforms within the Policy Area Fundamentals largely reflect the reform within the scope of the Chapter 23 and Chapter 24 Accession negotiation framework for the Republic of Serbia.

Under the EU negotiation framework with Serbia, the Republic of Serbia is requested to report to the Commission twice a year on the state of advancement of negotiations under the chapters "Judiciary and fundamental rights" (Chapter 23) and "Justice, freedom and security" (Chapter 24). The action plans encapsulate Serbia's rule of law commitments, accompanied by ambitious timelines, and they are directly oriented on the fulfilment of Interim Benchmarks.

The support to the accession process to the EU

Policy area 1 - Business environment and private sector development

Within the Policy area of business environment and private sector development, implementing the steps in the Reform Agenda under reform *Enhanced investment and development opportunities for entrepreneurs and the private sector* in the area of state aid will contribute to achieving two of the six opening benchmarks for Chapter 8 - Competition Policy, as well as the SAA obligations. According to these opening benchmarks, Serbia should prepare an inventory of existing state aid schemes within the meaning of Article 73(6) of the SAA and define an action plan, accepted by the European Commission, with a clear timetable for the alignment of all remaining existing aid schemes or equivalent measures identified as incompatible with the obligations resulting from the SAA, as well as to align the fiscal schemes. Implementation of the Reform Agenda in that area will contribute in fulfilling the recommendations given to Serbia in the Annual Progress Report 2023. The alignment of the states aid schemes with EU *acquis* until 2027, as foreseen by the Reform Agenda, will enhance the overall

level of legal alignment within Chapter 8. Taking into the account the experience of other candidate countries whose closing benchmarks in this chapter required the full compliance with the EU *acquis*, this will also enable RS to prepare for the fulfilment of closing benchmarks in Chapter 8.

Furthermore, regarding the *enhancement of the competitiveness of the agricultural sector*, the indicator is the same as the first opening benchmark for Chapter 12 - Food safety, veterinary and phytosanitary policy and emphasises the importance of aligning the Framework Laws with the EU *acquis* in the areas of food safety, veterinary and phytosanitary policy. This will give additional boost to the work on aligning with the EU *acquis* in those areas, building on existing level of harmonization.

The agreed indicators in the Reform Agenda *in the field of public procurement* directly affect the closing benchmarks for this chapter, namely the first benchmark related to the full alignment with the EU *acquis* as well as the third benchmark regarding the demonstrated track record of a fair and transparent public procurement system. Also, Reform Agenda resonates with the EC's Annual Report recommendations that highlight the importance of ensuring the procurement rules under intergovernmental agreements concluded with third countries comply with the public procurement principles, in line with the EU *acquis*. Contribution to the above lays in outlining a clear timetable and setting path towards all contracts under intergovernmental agreements being published starting from December 2024 (June 2025), and all special and other laws/decrees introducing derogations from the public procurement legislation being lifted (June 2027).

Policy area 2 - Green and digital transition

In Policy area 2 - Green and Digital Transition - Subarea Energy sector transformation, all the indicators are fully aligned with Serbia's accession path, with the objective of facilitating a more efficient and accelerated integration of the Republic of Serbia into the European Union.

In the energy sector, the objective is to achieve the highest possible degree of compliance with EU *acquis* and the obligations under the Energy Community Treaty. The transformation of the energy sector represents the basis of Serbia's accession negotiations in this area. The adoption of the *Integrated National Energy and Climate Plan of the Republic of Serbia* for the period up to 2030 with a vision up to 2050 represents a significant step in the process of EU integration, which leads to the fulfillment of one of the closing benchmarks foreseen in Chapter 15. The objective of adopting the NECP is to align with the relevant policy objectives at the EU, UNFCCC and Energy Community levels. The policies and measures are divided, in line with the Regulation (EU) 2018/1999, into five dimensions: decarbonisation, energy efficiency, energy security, internal energy market, and research, innovation and competitiveness. The NECP's importance is further reinforced by the fact that certain indicators are aligned with the Plan's provisions in terms of their reference values.

Furthermore, the indicators envisaged in the reform *Implementation of the 3rd Energy Package for gas, and of the electricity integration package* will contribute to the fulfillment of one of the closing benchmarks set out in Chapter 15 and the implementation of the measures regarding unbundling in the gas sector, which represents one of the long-term priorities for Serbia.

Some of the anticipated measures, regarding the implementation of *the Just Transition Action Plan*, deployment of alternative fuels infrastructure, implementation of the Energy Efficiency Directive, implementation of the *RED II Directive*, and *implementation of the MRVA* (Monitoring, Reporting, Verification and Accreditation), as part of one of the closing benchmarks in Chapter 27 represent Serbia's high priorities on its EU path. These are frequently referenced in the EC's Annual Reports on Serbia's progress.

In Policy area 2 - Green and digital transition - Subarea Digitalization, regarding the transport sector, all the indicators are fully aligned with Serbia's accession path and existing obligations under the Transport Community.

The deployment of *Intelligent Transport Systems and e-freight* is recognized as a crucial reform, not only in the Agenda, but also within the negotiating process in general. In this area, the *National Traffic Development Strategy of the Republic of Serbia 2023-2030 and Program for the Introduction of Intelligent Transport Systems 2023-2030 with Action Plan* are currently being prepared, which leads to fulfillment one of the closing

benchmarks for Chapter 21. The EC's Annual Reports on Serbia's progress frequently highlight the importance of adopting a comprehensive strategy and its implementation.

The reforms defined in the Policy area 2 Green and digital transition - Subarea Digitalisation, reflects the commitment of the Republic of Serbia to achieve the goals that contribute to the fulfilment of obligations within Chapter 10 - Information Society and Media and lead to the enhancement of the negotiation process within this chapter.

The envisaged reforms in *Secure and sustainable digital infrastructure including rural broadband and 5G roll-out*, regarding the adoption of new legislation harmonized with the EU regulatory framework are aligned with the obligations of the Republic of Serbia in the process of accession to the European Union within Chapter 10, enables development, equal access to modern technologies and electronic services of high quality and overcoming the digital divide.

The Republic of Serbia has recognized the importance of the digital transformation of the economy and society and enables the administration to be in the service of citizens and the economy, by implementing the reforms within Agenda item *Further digitalisation of public services and administrative procedures for businesses and citizens*. In the Annual Progress Report 2023, Serbia is, also, encouraged to remain aligned with the EU regulatory framework in this area.

The proposed reforms in *Strengthen adult education, training and relevant up-skilling opportunities of Digital Skills and Literacy*, are aimed at reducing the gap that inevitably arises due to accelerated technological development and the objective impossibility of individual and collective digital transformation taking place at the same speed.

Implementing the reform *Set up a comprehensive framework for cyber resilience (introducing requirements of the NIS2 Directive and strengthening relevant institutions)*, by further harmonisation of the legislative framework in the area of cyber security within Chapter 10, the information security standards in the Republic of Serbia will be significantly improved and will correspond to the development tendencies in the European Union. Implementation of these reform steps will contribute to fulfilling the recommendations given to Serbia in the Annual Progress Report 2023, but also within the negotiating process in this chapter.

Policy area 3 – Human capital

Within the Policy area of human capital, implementation of the steps in the Reform Agenda under the reform *Improve labour market conditions including through ensuring adequate financial and institutional resources and capacities for activation in employment and social policies*, in the area of social policy and employment, is relevant for the process of legal alignment of national legislation with *acquis* within Chapter 19 – Social policy and employment, and is in line with implementation of the Action plan for Chapter 19. Furthermore, the EC's Annual Reports on Serbia's progress highlighted the importance of Youth Guarantee within Chapter 19, Chapter 26 – Education and culture, and in the area of economic criteria.

Policy area 4 – Fundamentals

In the Policy area 4 – Fundamentals, Serbia is committed to consistently fulfilling its obligations from the process of negotiations on accession to the European Union regarding the rule of law. Serbia continues to deepen reforms and fulfill the recommendations of the European Commission in the area of the rule of law, with the aim of improving legal security and more efficient realization and protection of citizens' rights, as well as creating more favorable conditions for attracting investments and additional improvement of the business environment.

The Reform Agenda is additionally committed to support the justice sector reforms in combating *organised crime and corruption, and promotion of democratic governance, respect of human rights, citizen security, and sustainable socio-economic development*. It will also help Serbia to reach level of fulfilment the interim benchmarks for both Chapters 23 and 24, and reach the level for getting closing benchmarks for Rule of Law issues.

Serbia adopted *constitutional changes* in order to strengthen the judicial independence. After constitutional amendments, election of judges and prosecutors is, in accordance with adopted new set of judicial laws, now the subject of discussion in the High Judicial Council and High Prosecutorial Council, and no longer in the National Assembly. In this way, the rule of law is strengthened and legal certainty increases in Serbia.

Serbia adopted *set of media laws* (on Public Information and Media, on Electronic Media, on Public Service Broadcasters and on Temporary Regulation of Payment of Fees for the Public Service Media). These laws are enabling better media pluralism, more transparent financing of the media, regulation of official campaigns in accordance with the recommendations of the ODIHR, but also harmonisation with the new EU standards in the field of audio-visual services.

In the field of *fight against corruption*, regarding the adoption of the National Anti-Corruption Strategy, all EC comments, mainly related to achieving the fulfillment of the interim benchmarks in Chapter 23 and GRECO recommendations from the fifth round of evaluation, are adopted. The adoption of this document will address the most important activities aimed at preventing and fighting corruption. Also, this document is important for further strengthening of the institutional and administrative capacities of relevant institutions.

Serbia began working on a new national strategic document in the field of *preventing and combating terrorism*. A new strategic document and accompanying action plan will cover the counter terrorism and all forms of radicalisation and violent extremism measures (irrespective of political, religious or ethno-nationalist so-called justification).

In 2024, *the Program for Combating Trafficking in Human Beings for the period 2024-2029*, along with the Action Plan for the period 2024-2026 were adopted. Also, the new Status Agreement with the European Border and Coast Guard Agency (FRONTEX) was signed, in order to improve boarder cooperation.

The new *laws on Internal Affairs, and on weapons and ammunition*, will enable better security and safety of the country and citizens.

The adopted *Plan on the harmonisation of visa regime of the RS with the EU visa regime*, contains clear roadmap for carrying out activities for the fulfilment of Serbia's obligation arising from the accession negotiations with the EU, within Chapter 24.

4 KEY POLICY PRIORITIES

4.1 Fundamental sectors

The measures within the subarea of **Fundamentals** will be further strengthening the legislation as well as the strategic framework on gender-based violence, de-institutionalisation and national minorities. This will bring Serbia's standards in line with the EU *acquis* and European and UN standards in this field. The Government of Serbia policy document "**Partnership for Development – Priorities for International Assistance up to 2025**", indicates that one of the overall objectives is to ensure independent, impartial, accountable and transparent judicial system that ensures an effective fight against corruption and the protection of human rights and freedoms. Under this objective, Priority no 2 envisages improvement protection of human and minority rights and freedoms. The proposed measure will address findings of the European Commission's Report on Serbia, which states that Serbia's legislative and institutional framework for upholding fundamental rights is broadly in place and that it needs to be consistently and efficiently implemented.

The measures under subarea **fight against corruption** will pursue objectives of strengthening the track record of investigation, prosecution and conviction of high-level corruption cases and consolidation of the independent institutions. The interventions will continue to support the strengthening capacities and support building transparent and accountable law enforcement institutions especially in the detected vulnerable areas. In addition, the proposed measures will have in focus enhancement of corruption prevention, including conflict of interest, control of financing of political activities, lobbying, protection of whistle-blowers, transparency, etc. The actions evolve around sustainability and changing outcomes by supporting all relevant actors to increase competences needed to implement policies and practices that strengthen public integrity. By investing in prevention of corruption, the action will provide environment for business development and economic growth.

The measures within the subarea of the **Judiciary** will be strengthening the rule of law, access to justice, and legal certainty for the purpose of an efficient and quality realisation of the protection of rights and freedoms of citizens and raising the level of trust in the judicial system. The interventions will further strengthen independence of judges and autonomy of prosecutors and increase and improve the capacities of self-governing institutions. This will contribute to the implementation of Chapter 23 goals and strengthen the capacities of judiciary, as well as further upgrade legal and institutional framework for equal access to justice and legal predictability. The Support is contributing to address some of the key challenges included in the Commission reports on Serbia, which emphasize that Serbia should: strengthen independence of judiciary and autonomy of the prosecution, including through the amendments to constitutional and legislative provisions related to the appointment, career management and disciplinary proceedings of judges and prosecutors; amend the legal framework on for the High Judicial Council and the State Prosecutorial Council, so that they are empowered to fully assume their role to proactively defend judicial independence and prosecutorial autonomy in practice in line with the European standards; adopt and implement a comprehensive human resource strategy for the entire justice sector together with establishment of uniform and centralised case management system, necessary for a measurable improvement in efficiency and effectiveness of the justice system.

Serbia has been undergoing significant judicial reforms aimed at addressing the pervasive issue of staff shortages within its judiciary. This reform is driven by several underlying challenges that have long overburdened the system. The primary challenge is the shortage of judges and other judicial personnel, which has resulted in delays and backlogs in court cases. The insufficient number of staff members hampers the efficiency and effectiveness of the judiciary, undermining public trust and confidence in the legal system.

Another challenge is the outdated administrative processes and lack of modern technological support, which exacerbate the inefficiencies caused by staff shortages. Many courts are still reliant on paper-based systems, leading to slow processing times and increased risk of errors. Judicial careers need to be more attractive including an increase of the current salaries. Initial and continuous judicial training has to be thoroughly delivered by the Judicial Academy, together with appropriate quality assurance mechanisms to the whole training cycle. The Academy's capacity and internal expertise needs to be increased in order to deliver sufficient initial and continuous training, in particular for training on EU law.

The reform efforts focus on several key areas to mitigate these challenges. Firstly, there is a concerted push to modernise the administrative and technological infrastructure of the judiciary. This includes the introduction of digital case management systems, which aim to streamline case processing and reduce administrative burdens on staff. Secondly, the reforms seek to improve the recruitment process by offering competitive salaries and better working conditions to attract highly qualified candidates based on the new legislation pursuant to the recent Constitutional reform changes. Moreover, professional development programmes are being enhanced to ensure that judicial staff can continuously update their skills and knowledge, thereby improving overall judicial performance.

The measure is in line with the Government of Serbia policy document "**Partnership for Development – Priorities for International Assistance up to 2025**", which indicates that one of the overall objectives is to ensure independent, impartial, accountable and transparent judicial system that ensures an effective fight against corruption and the protection of human rights and freedoms.

Finally, progress across all the mentioned measures shall directly impact the **World Bank rating** of Serbia as Justice and the rule of law are central to the World Bank's core agenda of ending extreme poverty and promoting shared prosperity.

The measures under the subarea of the fight against organized crime will improve the normative framework, notably the Law on Internal Affairs, Criminal Code and the new Law on suppression and prevention of THB. Proposed changes within the Law of Internal Affairs will be aimed to create a legal precondition for the police autonomy from the Ministry of the Interior during pre-investigation and investigation phase and also to provide conditions for the prevention of torture and degrading procedures and the control of attitudes toward persons deprived of their liberty, together with the implementation of the CPT recommendation.

The measures under subarea fight against organized crime will pursue objectives of strengthening the track record of investigation, prosecution and conviction of organized crime cases.

The measures under subarea fight against organized crime will pursue objectives of strengthening the track record of investigation, prosecution and conviction of organized crime cases. After the new set of policy

priorities are defined and the provision of the new laws are adopted, Serbia will create solid strategic background and normative framework to improve the track records in the field of organized crime, notably to enhance number of investigation, prosecution and final conviction in the field of THB and trafficking of firearms with increased number of value of asset seized and confiscated in serious and organized crime changes.

Enforcement of State Aid Rules

In the Republic of Serbia, the rules on state aid control are enforced by the Commission for State Aid Control. The Commission is an organization accountable for its work to the National Assembly of the Republic of Serbia, independent from the executive authority. The establishment, position, organization, powers of the Commission, the procedures conducted by the Commission, etc., are regulated by the Law on State Aid Control ("Official Gazette of the RS", No. 73/19).¹³

The Commission enforces the rules on state aid control by determining the existence of state aid and assessing compliance, regarding both schemes and individual state aid, based on the Law on State Aid Control and relevant by-laws, which are aligned with EU *acquis* in the field of state aid control.

State aid control is carried out ex-ante in the procedure of previous control (based on the notification of State aid submitted by State aid grantors) and ex-post in the procedure of subsequent control (if the Commission becomes aware that State aid has been granted contrary to the provisions of the law).

Additionally, during the implementation of the control procedure, the Commission may impose behavioural remedies that order the cessation of State aid granting and recovery measures, whereby it orders the grantor to take immediate actions to recover the granted amount of State aid increased by statutory default interest, as well as periodic penalty measures.

4.2 Digital transformation and Digital security issues

By addressing different aspects of digital infrastructure, skills, public services, security, and innovation, proposed reforms in the sub-area Digitalisation collectively drive substantial progress in how society and the economy operate in the digital age. Specifically, the proposed reforms contribute to the process of digital transformation in several impactful ways:

- **Fostering Digital Connectivity:** enhancing broadband communications infrastructure, including 5G networks, ensures high-speed internet access, which is critical for supporting digital services and applications. This can bridge the digital divide, providing equal opportunities for all regions and demographics to participate in the digital economy. By upgrading and expanding broadband networks underserved and rural areas can gain access to essential online resources, educational tools, and economic opportunities that are otherwise inaccessible.
- **Establishing 5G Networks Security:** introducing secondary legislation on 5G security mandates the implementation of proportionate, appropriate, and risk-based security measures for 5G networks and services, with a strong emphasis on the guidelines outlined in the EU Toolbox for 5G Security. It will significantly contribute to digital transformation by ensuring security, resilience and protection of integrity of digital infrastructure.
- **Improvement of Digital Skills:** developing comprehensive digital literacy programs and technical training courses ensures that citizens and the workforce are equipped with the necessary skills to thrive in a digital environment. This can lead to greater innovation, productivity, and employment

¹³ Law on State Aid Control ("Official Gazette of the RS", No. 73/19) transposed Council Regulation (EU) 2015/1589 of 13 July 2015 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union (OJ L 248, 24.9.2015) and main principles from Directive (EU) 2019/1 of the European Parliament and of the Council of 11 December 2018 to empower the competition authorities of the Member States to be more effective enforcers and to ensure the proper functioning of the internal market (OJ L 11, 14.1.2019).

opportunities. Continuous learning initiatives help existing employees adapt to new technologies and processes, reducing the skills gap and ensuring a competitive and competent workforce.

- **Securing Wider Availability of Digital Public Services:** providing online public services enhances accessibility and efficiency, making it easier for citizens and businesses to interact with government entities. This can streamline administrative processes, reduce bureaucracy, and improve service delivery.
- **Improvement of Digital Identity and Trust Services:** implementing digital identity systems enables secure and convenient access to online services. This can reduce fraud, enhance trust, and improve user confidence in digital interactions. Enhancing trust services ensures the authenticity, integrity, and legal validity of digital transactions, fostering greater adoption of digital services and e-commerce.
- **Strengthening of Cyber Resilience:** enhancing cybersecurity frameworks protects critical infrastructure, sensitive data, and digital services from cyber threats. This ensures the reliability and trustworthiness of digital systems, which is crucial for maintaining user confidence and economic stability.
- **Development of Artificial Intelligence Regulations:** establishing clear regulations provides a framework for the ethical and responsible development and deployment of artificial intelligence technologies. By addressing concerns around privacy, bias, and accountability, regulations increase trust among users, businesses, and policymakers, leading to increased adoption of artificial intelligence solutions.
- **Development of the Intelligent Transport System and e-Freight:** the deployment of ITS and e-freight play a crucial role in driving digital transformation across the transportation and logistics sectors, leading to improved efficiency, safety, sustainability, and innovation in the movement of people and goods.

Each of the reforms plays a critical role in the broader scope of digital transformation, creating a more connected, efficient, and resilient digital ecosystem.

4.3 Education, training, employment and social objectives

In accordance with the provisions of Article 3 of the respective Regulation, the Reform Agenda will stimulate the development of quality education, training, reskilling and upskilling opportunities by developing pre-school education infrastructure, teaching practices, and community connection, as well as further developing the quality of teaching and inclusion at the primary and secondary level of schooling, which includes dual/vocational education and training. Serbia will take on the task of tackling youth unemployment by further advancing the Youth Guarantee across the Republic of Serbia, providing quality offers of education, training, and employment, and taking special care to mainstream the inclusion of women and minority groups for sustainable employment countering poverty. Underpinning these reforms are the envisaged advancements in the legal and programmatic framework of education and employment to produce a stable labour market environment that is relevant to the modern economy.

4.4 'Do no significant harm' principle

Green transition is the commitment of the Republic of Serbia, and to that end, efforts are being made to ensure that all reforms implemented are harmonized with EU regulations and examples of good practice. This transition requires a multisectoral approach and horizontal connection of all stakeholders in this process. Through the development and adoption of public policy documents and the legislative framework, it contributes to the harmonization with the principle of "do no significant harm" and the acceptance of the classification system according to the EU taxonomy. Alignment with the EU legislative framework in the field of climate change, industrial pollution, biodiversity protection and circular economy, investments are directed towards sustainable projects and activities. Also, the implementation of measures and activities from the Action Plan of the Green Agenda for the Western Balkans contributes to the achievement of ecological and climate goals in such a way that one goal does not endanger others, which is in accordance with the taxonomy. Further harmonization with EU regulations is an obligation for Serbia in order to overcome all the challenges brought by new reforms and investments that are considered sustainable.

5 MAINSTREAMING

The Reform Agenda presents opportunity for reinforcement to reforms implementation in several important areas such as democracy, human rights and gender equality towards highest international standards and best practices. It also takes into account arising challenges that require immediate attention and coordinated approach in order to be addressed properly. Green transition towards low-carbon economy, while considering environmental protection and biodiversity conservation, requires significant and continuous efforts across the region and in cooperation and guidance of the EU. Serbia recognizes the gravity of these areas and thus integrates several reforms across the Reform Agenda, hence reconfirming its commitment towards their fulfilment.

Democracy

The functional **democracy**, democratic processes and institutions present a central and perpetual principal of the Serbian Government and society. As such, Serbia invests significant resources in terms of human capacities, national funds as well as political engagement through dialogue with all relevant entities from Serbian society and beyond. Given that, legal framework and electoral system lies at very centre of democratic election, Serbian institutions are paying special attention to it by, among other, close and longstanding cooperation with a number of relevant international organizations, such as the *Office for Democratic Institutions and Human Rights (ODIHR)*. Following official invitations ODIHR missions had opportunity to observe various elections processes in Serbia over more than 20 years, resulting in recommendations that were duly noted and addressed towards more democratic, representative and efficient electoral system. During the several past years most part of the ODIHR recommendations were implemented aiming to further improve the election process in order to fully align it with the international obligations and standards for democratic elections. Significant efforts were invested across the wide range of national authorities resulting in various activities such as significant legislation revision and establishment of the inter-agency Working Group on Co-ordination and Follow-up of the Implementation of Recommendations for the Improvement of the Electoral Process. Following December 2023 ODIHR Recommendations, the Parliament has become fora for consultations with all Parliamentary political groups on the implementation of ODIHR recommendations. The Parliament has included relevant civil society organizations in this consultative process. Thus, the cooperation between the Government and the Parliament should increase transparency and inclusiveness, and ensure efficient implementation of ODIHR recommendations.

The election-related legislation was significantly revised in 2022, when prior ODIHR recommendations related to election administration, campaign finance, and election dispute resolution were addressed. Among other, the Law on Election of Members of the Parliament (LEMP), Law on Local Elections (LLE) and Law on Financing Political Activities (LFPA) were adopted. This legislative activity was further followed by the adoption of the two new laws on information environment and media, adopted in October 2023. It should also be noted that 2022 amendments further expand gender-balanced representation and the inclusion of persons with disabilities. Taking into account the essential importance of democracy, the Reform Agenda provides important opportunity to support and encourage further work in the area of electoral framework. Steps proposed under the fundamentals policy area encompass several activities that further build upon those already implemented. Each step is designed to precisely address the most important areas of electoral environment and ODIHR recommendations, namely the continuation of work of the inter-agency Working Group on Co-ordination and Follow-up of the Implementation of Recommendations for the Improvement of the Electoral Process, further improvement of the Unified Voter Register (UVR), Regulatory Authority for Electronic Media (REM) Council work further reshaped, continuation of necessary legislation amendments and improved election administration. Achieving these steps will significantly attribute to overall electoral context and integrity.

Independent, efficient and accountable **judicial system**, is incremental pillar of the functioning democratic society and as such requires support towards constant improvement and development according to highest international standards and practices. In this regard, Serbia has adopted 2022 constitutional amendments which were followed by timely adoption of relevant implementing legislation which is to be accompanied by adequate number of by-laws. The Reform Agenda intention is to build further by focusing proposed reforms in the area of judiciary on securing adequate human resources, before all judges and prosecutors, further

legislation work by amending Civil Procedure Code which will, among other, contribute to already established positive trends of reduction in the average duration of court proceedings and reduced number of backlog cases.

During the past years Serbia has taken important steps towards establishing a strong institutional and legislative framework for **fight against corruption** resulting in, among other, functional Agency for the Prevention of Corruption, active advisory Anti-Corruption Council and 2022 adoption of the Law on the financing of political parties which triggered adequate amendments to the Law on prevention of corruption. Beside this, over the several past years track record on high-level corruption remains stable with numbers of final convictions in 2022 slightly increased compared to previous years, however it is still not followed by the final confiscation of assets. Beside this, Serbia is still to adopt new anti-corruption strategy accompanied with the action plan. Taking into account importance of this area, Reform Agenda encompass several reforms starting from the adoption of credible strategic framework, followed by ensuring adequate human capacities needed to carry out enforcing and suppressing activities resulting in increased and credible anti-corruption track record.

Human rights

Human rights present another indispensable pillar of society and as such are part of Serbia continued attention in line with the EU *Acquis*, European and international standards and best practices. Although the existing framework is broadly in place it requires continued improvement and efficient implementation. The Reform Agenda presents significant impulse towards these goals by encompassing several indicative reforms and steps across number of policy areas that are included. It promotes further legislative amendments to several laws, with specific focus on vulnerable groups. Revision of *Criminal Code* is ongoing based on the implementation experience, as well as the need to further align it with the EU framework and international conventions. This will encompass review of the legal description of number of criminal offences and expansion of certain institutes such as necessary defence. Amendments to the *Criminal Procedure Code* planned in the Reform Agenda will remedy both challenges identified during the implementation of the Code, as well as introduce important provisions of the EU *acquis* into the national legal framework such as those laying down rules concerning the right to information of suspects or accused persons, relating to their rights in criminal proceedings and to the accusation against them; rules concerning the right to interpretation and translation in criminal proceedings; and ensuring that victims of crime receive appropriate information, support and protection and are able to participate in criminal proceedings. The *Law on Prevention of Domestic Violence* is planned to be amended in line with the activities planned under relevant national strategic framework aiming to analyse enforcement so far and define further directions with special emphasis on serious issues such as femicide. It is to be followed by robust central record on form of violence classified by different types of data categories, including those on type of offence, age and sex of the victim and perpetrator, their relationship etc. Based on the recommendations received from the European Commission and work being undertaken on the modifications to the Criminal Code and Criminal Procedure Code laws the Reform Agenda will contribute to drafting and adoption of the completely new Law on Juvenile Offence and the Criminal Protection of Minors which will facilitate alignment with several laws that were adapted in the meantime, as well as international and EU standards such as ensuring that victims of crime receive appropriate information, support and protection and are able to participate in criminal proceedings. According to the recommendations of the EC annual reports, under Reform Agenda it is envisaged to amend the *Family Law* are to include the ban of child marriage and more effective protection against domestic violence by introducing of several new forms related to children and disabled person. Setting up a national victim and witness support service in line with EU standards proved to be a challenging task which will surely be accelerated by finding its place in the Reform Agenda aiming to ensure 20 victim support service established and operational at high courts thus ensuring cardinal difference compared to current situation in which support is provided to a limited number of victims by the CSOs.

Several action plans important for the area of human right are pending for the adoption and consequent implementation. The Action Plan on Minority Rights, Action Plan on gender-based violence and Action Plan on Deinstitutionalisation, will be accelerated with the support of the Reform Agenda. Endorsing new plan of activities in the minority rights area would lead towards significant improvement of exercising these rights across the Serbian society and address recommendations contained in the fourth opinion of the Council of Europe's Advisory Committee for the Framework Convention. The proposed Action Plan on gender-based

violence build upon number of activities carried out during the recent years and is aiming to ensure effective prevention and protection system against all forms of gender-based violence. However, it would require adequate human, financial and other resources so placing it within the Reform Agenda could prove to be crucial for its implementation. Implementation of the deinstitutionalisation strategic framework has been facing similar challenges as the dedicated action plan has been somewhat delayed, although relevant national institutions carried out certain activities in order to establish community-based services. However, the Reform Agenda support will surely bring decisive progress in this area which should result in significant increase in total number of users of community services provided by licensed providers both existing and those that haven't been standardised so far.

Freedom of expression represents an important part of human rights with media being one of the pivotal parts of it. Serbia continues to implement its media strategy with several activities focusing on relevant legislation amendments. Adopted legislation still require further work in order to fully align with EU aquis and European standards. Legislation enforcement is also lagging behind with the REM not demonstrating to the full extent its mandate. For these reasons the Reform Agenda underpins the need for the adoption of three laws: The law on electronic media, The law on public information and media, and new Law on public service media in line with the EU aquis and Council of Europe's standards. Shortcomings in public service media legislation, identified by the media strategy, should be addressed by amending the law. Public broadcasting services in minority languages will be further strengthened, in line with the Chapter 23 interim benchmark. The Reform Agenda will pay special attention to the REM performing its duties according legal provisions and deadlines in order to be able to efficiently safeguard media pluralism. Beside this, public funding of media content will be conducted in line with the existing legal framework and according to the best practices.

Gender equality and accessibility

The Republic of Serbia has established a comprehensive legal and policy framework for **gender equality**. The existing law and strategy on Gender Equality introduce new and improve the existing gender equality mechanisms (including institutionalization of the Coordination Body for Gender Equality) but also promote gender equality as a cross-cutting priority to be integrated in the country's overall development and EU accession agenda. Additionally, the Institutional framework for gender equality has been strengthened with the establishment of the Ministry of Human and Minority Rights and Social Dialogue. Although Serbia has made significant strides in the field of gender equality in recent years, there are still numerous challenges in the areas of implementing new legislation and the position of women in society, who are still in a much more unenviable position vis-à-vis men. In that respect, the Reform Agenda reforms are designed in a way to assess, address and effect combating inequalities gender, with special consideration to combatting all forms and gender-based violence, promoting gender equality and empowering girls and women. The reforms in the policy area Business environment and development of the private sector are promoting gender equality, e.g. in the process of the appointment of the representatives of the Republic of Serbia in management bodies of SOEs, the balanced gender representation will be taken into consideration. Digitalisation has strong potential for the empowerment of women and girls, allowing access to information and knowledge beyond conventional means. Reforms in the Digitalisation subarea will further promote gender equality, empowering women and girls and improvement accessibility for people with disabilities. The Reform Agenda's contributions to Green and Digital Transformation will help decrease the gender gap in the economy. Due to their lower incomes, women are at a greater risk of energy poverty. Energy poverty has serious implications for health, quality of life and social inclusion of socially vulnerable population groups. It is connected to the risk of poverty in general and contributes to inequalities in society. Women's economic inactivity rate in Serbia is higher than that of men, so women have less resources to afford energy and the greatest need to save it. Inequalities in the labor market could lead to a greater risk of energy poverty, as due to their lower incomes, women may have more difficulties to pay utility bills, or may live in energy inefficient households relying on older, inadequate appliances and less efficient heating sources. Single parents are a group significantly at risk of living in poverty (with the at-risk-of-poverty rate of 28,1%), as well as persons with disabilities. Available data suggest that the majority of single-parent households in Serbia are headed by women. Interventions supported by the Reform Agenda are in alignment with already in-place Government's measures for energy efficiency improvement, such as support

to most vulnerable categories of population through introducing the legal status of an “energy vulnerable customer”.

A wide range of legal acts has improved the position of **persons with disabilities** (PwD). Issues of inclusion, accessibility and legal rights are widely embedded in sectoral strategies. Although numerous strategies set measures for improving the position of PwD and inclusion into all social spheres, they still encounter a number of issues - infrastructural and informational accessibility, exercising fundamental rights etc. The Reform Agenda will further enhance investment in inclusiveness and accessibility of different services and rights, inclusiveness of education and labor market, economic position of PwD and overall well-being and quality of life. Digital transformation contributes to greater gender equality, and at the same time enable deeper inclusion of people with disabilities into education and labour market. Electronic communications, digital platforms, and digital financial services offer advanced opportunities and can help close the digital gender divide.

Further digitalization of public services and administrative procedures for businesses and citizens is one of the priorities Republic of Serbia. The Law on Electronic Government and accompanying bylaws set out the accessibility and availability of digital public services and websites to everyone, including vulnerable groups and people with disabilities, as a mandatory requirement. Furthermore, the planned digital identity and trust services reform should ensure accessibility of digital identity technologies to people with disabilities, enabling their full participation in the digital society. Which can significantly improve access to a wide range of services for PwD, including public services, healthcare and banking. Strengthening adult education, training and digital skills can significantly influence gender equality and improve the inclusion and empowerment of people with disabilities. Enhanced digital literacy levels among women is crucial to overcome gender disparities in employment and entrepreneurship. Tailored digital skills training can introduce PwD to assistive technologies and accessible digital tools. By acquiring digital skills, PwD can access a broader range of employment opportunities, including remote work options.

The Reform Agenda’s contributions to human capital development will be in line with Serbia’s efforts to promote gender equality in the labour market through stimulating the reform of related legislature in line with the requirements of the Gender Equality Law’s norms on prohibiting discrimination in the labour market and workplace. Support provided to youth enrolled in the Youth Guarantee will apply principles of preventing discrimination of women, national minorities, PwD that have been reinforced through several instances of capacity building for National Employment Service councillors. The National Employment Service has an established practice of targeting support for unemployed young women and persons with disabilities and will apply lessons learned from this process to accelerate the establishment of the Youth Guarantee in a gender and disability-equitable manner. Special measures are foreseen to improve the position of women, young people, persons with disabilities, as well as Roma men and women, taking into account their representation and other characteristics that indicate an unfavorable position on the labor market.

Concerning education, having the Reform Agenda stimulate enrolment rates in pre-school education is of great significance to promoting gender equality as higher rates will likely lead to increased opportunities for mothers on the labour market and will promote their overall better economic and social standing. Promoting enrolment will be of benefit to the gender equality of girls, as they are underrepresented in preschool education, being 48.5% of the enrolled. Being mindful of the specific issues girls and students with disabilities face in attaining secondary education, which were subject to previous analysis done through the “EU Support for Reform of Education in Serbia – REdiS 2030” project, transition rates of students from primary to secondary education will be especially monitored for these two groups, ensuring a more focused perspective. All three areas of support target equal opportunities for people at higher risk of social exclusion: Roma communities, Roma women, and Roma youth. These reforms will support Roma women and men entrepreneurs, Roma women and Roma youth jobseekers, business development, and learning opportunities.

The Action Plan for Deinstitutionalisation will benefit boy and girl, children and young persons, allowing them to lead more independent lives, while measures designed for young men and women leaving social protection institutions will foster their integration into the community. In addition, stimulating the implementation of the new Action Plan on gender-based violence will improve the work of all actors in the domestic violence

protection system. The adoption of the new Action Plan for national minorities will be focused on providing continuous support to combating discrimination and protecting the rights of national/ethnic/linguistic minorities; strengthening capacities of beneficiaries in countering hate speech and hate crime; promoting and protecting their rights.

Amendments to the Laws on Electronic Media and the Law on Public Information and Media, and a new law on public service media will also consider the role of the media as essential for addressing gender stereotypes and raising awareness that contributes to the promotion of gender equality.

Green Agenda

The Reform Agenda of the Republic of Serbia in **Policy area 2: Green and digital transition**, aims to transform the energy sector, increase energy efficiency, increase the use of renewable energy sources and ensure affordable electricity prices. These activities are crucial for accelerating the green transition in line with the Green Agenda.

The reforms in green transition encompass a diverse range of topics relevant for energy sector transformation and the achievement of climate objectives. Key areas of focus are: implementation of the Third Energy Package for gas and transposition and implementation of the electricity integration package, ensuring affordable electricity price supply, just transition, increasing the uptake of RES and improving the energy efficiency and saving energy. All the mentioned reforms will directly contribute to the implementation of the Green Agenda and climate objectives set in WBF regulation.

Digitalization is a key driver for the five pillars of the Green Agenda for the Western Balkans in accordance with the concept of a dual green and digital transition. In the field of digital transition, reforms such as the introduction of 5G networks and development of sustainable and secure digital infrastructure through the project "The Next Generation Broadband Connectivity for Rural Schools in White Zones" directly contribute to accelerating the green transition in line with the Green Agenda. The 5G is more efficient than 4G, as 5G system can carry 10 times the volume of data traffic than a 4G system with no net increase in energy consumption. More importantly, 5G can empower AI solutions for more efficient energy and consumption management, using less energy compared to 4G. The expansion of broadband infrastructure in rural areas facilitates the digitalization leading to more efficient resource use and reduced carbon dioxide emissions. The digitalization of public services and administrative procedures for businesses and citizens will significantly reduce CO2 emissions and contribute to environmental preservation by reducing the use of paperwork in such a way that digital business will eliminate the need for printing and using paper for documentation, directly contributing to the biodiversity pillar by preventing deforestation.

The introduction of Intelligent Transport Systems (ITS) promotes efficient and sustainable urban planning and transport management, which directly contributes to Smart and Sustainable Mobility within the first pillar of the Green Agenda. The Green Agenda defines that greater emphasis should be placed on improving the railway network, with subsequent shifting of traffic from roads to railways, in accordance with the Green Agenda. It also suggests focusing on the implementation of Intelligent Transport System (ITS) solutions aimed at making transport operations more efficient and reducing CO2 emissions. The wide availability and use of data technologies in public transport systems have the potential to make them smarter, less polluting, and more user-friendly. Lower emissions from transport mean less pollution affecting natural ecosystems. By optimizing both new and existing railway routes, ITS reduces the environmental impact of transport infrastructure, thereby protecting biodiversity.

The reforms set out in **Policy area 1: Business environment and private sector development** in the Reform Agenda aim to tackle some of the main challenges that still exist in the policy area of Business environment and private sector development, such as improvement of public investment management and further development of the science and innovation ecosystem for a knowledge-based economy and enhance the competitiveness of the agricultural sector. Improvement of legal framework for public investment management, following consultations with the European Commission and in line with the Policy Paper and Action Plan, as well as with the best international standards (December 2027) will ensure the strengthening of

the integration of climate change matters into decision-making processes, thereby promoting environmentally sustainable projects. The legal framework for managing capital projects has been improved in terms of assessing the impact of project effects from the perspective of climate change and their interdependencies. Additionally, during assessment, the potential impact of the planned capital project on social, economic, regional, and ecological sustainable development is considered, as well as the impact of the future project on environmental factors (flora and fauna, soil, water, air, climate and landscape, material and cultural goods, etc.) and their mutual interaction, which significantly contributes to the protection of biodiversity and the preservation of ecosystems as a pillar of the Green Agenda. The further development of the scientific and innovation ecosystem for a knowledge-based economy, through increasing private sector allocation for research and innovation to 50% of the total amount and increasing the number of funded researchers and innovative companies, supports the transition to a green economy through the development of new technologies and sustainable practices, directly contributing to clean energy transition and circular economy within Green Agenda. Within the second pillar of the Green Agenda, Action 35 "Further implement Smart Specialisation Strategies, place-based, innovation-led transformation agendas for sustainability", it is envisaged to support the establishment of sustainable development and innovation policies for the economies through the implementation of Smart Specialisation Strategies. Potential investments in the BIO4 Campus will provide researchers and companies with the resources they need to conduct cutting-edge research, develop innovative products and services, and attract talent and investment to the country. This project will directly contribute to the development of new green technologies and the achievement of the goals of the Green Agenda. Additionally, the project aims to achieve the lowest possible (nearly zero) CO₂ emissions by utilizing renewable energy sources and applying principles of sustainable green building and circular economy.

Establishing a regulatory framework for food safety, veterinary, and phytosanitary policy aligned with the EU *acquis* will directly contribute to the pillar of the Green Agenda: sustainable food systems and rural areas. This reform directly contributes to the implementation of Action 44 of the Green Agenda, which pertains to aligning the agri-food and primary production sector with EU standards on food safety. By establishing a regulatory framework aligned with the EU *acquis* for food safety, veterinary, and phytosanitary policies, Serbia not only improves its agricultural standards but also makes significant strides towards biodiversity conservation.

The future agriculture legal framework will also include objectives and activities of the European Green Deal, in terms of establishing a fair, healthy and environmentally sound market chain of food products, and through activities of reduction of the use of pesticides, fertilisers and antibiotics, as well as reduction of the risk of their use, and the one hand, and improvement of the environmental protection and preservation of biodiversity, on the other.

Increasing the competitiveness of the agricultural sector by adopting the Law on Land Consolidation will support sustainable land use practices by enabling better management and planning of agricultural and rural areas. By consolidating fragmented land parcels, the reform will promote more efficient and sustainable agricultural practices, reducing pressure on natural habitats and promoting biodiversity. This directly contributes to disaster risk reduction, which is a critical component of climate resilience and biodiversity conservation.

The measure, "At least 10 projects financed from the national budget, not exceeding EUR 299,999 per project, contracted under public calls aimed to improve rural public infrastructure in the areas of water supply and road infrastructure facilities (December 2025, 2026, 2027)", significantly contributes to reducing pollution and increasing energy efficiency, in accordance with the first pillar of the Green Agenda. By improving infrastructure in rural areas through the construction of modern and sustainable roads, the measure connects rural areas with urban centers, thereby reducing the number of kilometers traveled, which directly contributes to a significant reduction in GHG emissions. Enhanced infrastructure in rural areas supports sustainable development, reducing habitat fragmentation and promoting efficient land use.

PART 2: DESCRIPTION OF POLICY AREAS AND RELATED REFORMS

This section of the Reform Agendas includes a comprehensive presentation of the measures (qualitative and quantitative steps) that the Republic of Serbia shall implement over the duration of the implementation of the

Reform and Growth Facility in line with the detailed specifications and timetable in Annex I to the Reform Agenda.

The timetable of the planned implementation of measures is established over six-month periods starting on 31 December 2024 and ending on 31 December 2027. According to Regulation (EU) 2024/1449, the final implementation date of 31 December 2027 for the fulfilment of the payment conditions related to the final set of measures includes the time necessary for the Commission to evaluate the successful fulfilment of the payment conditions concerned and the subsequent adoption of the release decision by the Commission. Accordingly, and as prescribed by Article 13(1), point (i) Regulation (EU) 2024/1449, the Republic of Serbia must implement the agreed qualitative and quantitative steps by 31 August 2027 at the latest, and submit a duly justified request for the release of funds in respect of fulfilled payment conditions related to these quantitative and qualitative steps without delay.

Pursuant to Article 21(5) Regulation (EU) 2024/1449, in case the Commission has negatively assessed the fulfilment of the payment conditions, the Republic of Serbia may take the necessary measures to ensure satisfactory fulfilment of the corresponding conditions within a period of 12 months from the initial negative assessment referred to in Article 21(4) Regulation (EU) 2024/1449. During the first year of implementation, a deadline of 24 months applies, calculated from the initial negative assessment. In any event, and as established in Article 21(6) Regulation (EU) 2024/1449, any amount corresponding to payment conditions that have not been fulfilled by 31 December 2028 shall not be due to the Republic of Serbia.

6 POLICY AREA 1: BUSINESS ENVIRONMENT AND PRIVATE SECTOR DEVELOPMENT

Over the recent years, the Republic of Serbia has dedicated considerable efforts to enhance its business environment and boost the competitiveness of its economy. By consistently decreasing the regulatory and administrative constraints on businesses, Serbia fosters a competitive private sector that contributes to growth and job creation. Although Serbia's business landscape encompasses both opportunities and challenges, ongoing reforms and entrepreneurial endeavours are catalysing positive transformations. This paves the path for sustainable economic growth and development across multiple sectors. In the past, substantial progress has been made to enhance investment and development prospects for entrepreneurs and the private sector, as well as to increase the competitiveness of the agricultural sector.

Private sector development in Serbia has been a focal point for economic growth and stability. The government has implemented various reforms to create a conducive environment for businesses, including streamlining regulations and improving access to financing. This has led to increased investment from domestic and foreign entities, fostering innovation and competitiveness in key sectors. Additionally, initiatives aimed at enhancing skills and entrepreneurship have contributed to the expansion of the private sector, contributing thereby to job creation and overall economic growth. Looking ahead, continued efforts in supporting private sector development, particularly innovative entrepreneurship, are essential for sustained economic progress and prosperity in Serbia.

In the field of **business environment and development of the private sector**, reforms considered a priority and targeted in the Reform Agenda, as previously mentioned, are grouped within **three subareas**: Business environment, Private sector development and Business sector competitiveness.

Subarea 6.1: BUSINESS ENVIRONMENT

The reforms in the subarea concerning the business environment are primarily focused on establishing a legal and institutional framework for investment projects and unifying the approach to public investments across all aspects, from project design to the evaluation of public investments. Through the proper preparation, evaluation, selection, and implementation of capital projects, as well as the evaluation of the achieved effects of the completed capital project, effective and efficient management of public funds is achieved, which has significant implications for the overall improvement of the business environment.

In addition, these reforms address state-owned enterprises (SOEs) by registering them as joint stock companies or limited liability companies aiming to create a more efficient and unified corporate system. This step is

followed by setting annual goals for each state enterprise, which will be monitored periodically to ensure their realization. By concentrating on robust corporate governance within state-owned enterprises the ultimate goal is to enhance the governance of SOEs, promote economic efficiency and competitiveness.

Reform 6.1.1. Improvement of public investment management and sustainable and efficient management of business entities owned by the Republic of Serbia

The Reform is comprised of two parts public investment management and efficient management of business entities owned by the Republic of Serbia, having equal impact on business environment.

Public Investment Management

Over the past few years, public investment management has drawn significant attention in the field of public financial management, with the Republic of Serbia actively striving for enhancement in this regard. The capital investment management in the coming period will remain as one of the top priorities of the Ministry of Finance aiming to improve management of priority public investment projects in the country. Strengthening the framework of public investment management not only catalyses the implementation of new infrastructure projects but also enhances the quality of existing infrastructure. The Decree on capital projects was adopted by the Government in 2023 ("Official Gazette of the RS", No. 79/2023), followed by adoption of four rulebooks, thus further improving the legal bases for implementation of this reform. The Decree in question foresees the criteria for the division and classification of capital projects, taking into account the estimated costs for its implementation, the source of financing and the level of government that implements the capital project. The main aim is that all capital projects, that may have significant implications at the republic, provincial or local level, are proposed, evaluated, selected and monitored in a unique way. The new classification of capital projects enables a more detailed and comprehensive analysis of provincial and local capital projects. In order to establish a system of comprehensive and unified management of public investments, the Decree on capital projects stipulates the obligation to record and monitor capital projects of special importance for the Republic of Serbia, as well as projects implemented through public-private partnerships, i.e. concessions.

The inauguration of the Public Investment Management Information System (PIMIS) in 2023 marked a pivotal moment, creating a centralized repository of information crucial for overseeing capital projects. Moving forward, PIMIS will be further enhanced to align its functionalities seamlessly with the revised legal framework, with a particular focus on its application at the local level.

Based on the experience gained through the application of the new legal framework and by considering the effects achieved in its practical implementation, a continuous process of improving the evaluation and monitoring procedures of capital projects will be conducted in cooperation with all actors involved in the project cycle of the capital project.

The improvement of the evaluation and monitoring procedures of capital projects will also contribute to the development of the economy as a whole, as well as to raising the standard of living, taking into account the importance of capital projects, but also their impact on the development of several different areas of infrastructure, industry, the service sector and tourism, as well as the integrative effect of these projects in terms of connecting the aforementioned areas.

Challenges:

Addressing the main challenges that the Republic of Serbia is facing in the area of public investment management requires a comprehensive approach that involves policy reforms, institutional strengthening, capacity building, and effective implementation mechanisms. Further reforms are needed in order to improve project appraisal and selection, environmental and social sustainability, institutional capacities, transparency, as well as access to financing for public investments. By addressing these challenges, Serbia can enhance the efficiency, effectiveness, and sustainability of its public investment management system, ultimately contributing to its overall economic development and welfare of its citizens.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The Ministry of Finance will coordinate the process of drafting a Policy Paper and an Action Plan, together with all the relevant stakeholders, including comprehensive consultations with the European Commission. The Ministry of Finance, in cooperation with line ministries, collects information, experiences and proposals with the aim of improving the evaluation and monitoring procedure of capital projects, issues opinions on financial and implementation aspects of capital projects, prepares a proposal for a single list of project ideas, proposal for a list of projects in preparation and proposal for a list of prepared projects, which it submits for consideration and adoption to the Commission for Capital Investments, monitors and analyses key performance indicators of capital projects in the realisation phase, and reports thereon to the Commission for Capital Investments.

The implementation of this part of the reform will be measured by two steps:

1. A Policy Paper and an adjoining time-bound Action Plan for the improvement of public investment management, following consultations with the European Commission, has been adopted and their implementation started (**December 2026**).

2. An improved legal framework for public investment management, which establishes a unified, comprehensive and transparent mechanism for prioritising all public investments regardless of type and source of financing, following consultations with the European Commission and in line with the Policy Paper and Action Plan, as well as with the best international standards, is adopted (**December 2027**).

Management of Business Entities Owned by the Republic of Serbia

The objective of the second part of the reform is to enhance the performance of state-owned enterprises, which will have positive influence on transparency, fiscal risks, budget efficiency and level playing field in the business environment of the Republic of Serbia. A legal basis for this reform has been established through the adoption of the Law on SOEs Governance (“Official Gazette of the RS”, No. 76/23) in 2023. The Law on SOEs Governance will be effective starting from September 2024. In the future, supplementary secondary legislation has to be adopted. These new by-laws are essential for the complete execution of the Law on SOEs Governance and will be authorized prior to the Law's effective date, while other by-laws will be approved within six months following the Law's effective date.

Overview of by-laws

Law article	By-law	Adopted by - end date
12	List of limited liability companies and minority members of limited liability companies, including the classification of such companies	Government – 16/9/2024
13	Content and manner of implementation of management guidelines	Minister – 16/11/2024
14	Act regulating the conditions and qualifications for participating in the work of the commission for establishing guidelines	Government – 16/3/2025
15	Content, preparation, deadlines and method of delivery of plans and reports	Government -16/3/2025
16	Significant deviations from annual goals	Government – 16/3/2025
18	Act on criteria for defining the salary, i.e. compensation of limited liability company bodies	Government- 16/3/2025
24	Act on additional conditions for appointing and the procedure for appointment of limited liability company bodies, as well as the procedure for implementing public competition for the selection of director	Government – 16/9/2024
29	Procedure and method for the establishment of costs of public service provision – MoF	Government -16/3/2025

33	Corporate Governance Code	Government – 16/9/2024
33	Form of the report on the implementation of the Corporate Governance Code	Minister – 16/3/2025
34	Programme of professional development in the field of corporate governance	Minister -16/9/2024
40	Content and method of managing and maintaining digital records and the platform	Minister – 16/3/2025
42	Criteria for choosing a legal form for the transformation of public enterprises	Government – 16/9/2024

The Law on the Management of State Enterprises will be applied, with certain exceptions, to SOEs with the legal form of joint stock companies and limited liability companies, in which the Republic of Serbia has majority ownership. At this moment, it is estimated that the number of companies to which the Law will apply is approximately 140. The exact number of companies will be determined by a particular act on classification of SOEs. This act has to be approved before the effective date of the Law. The list of companies will be updated regularly and published in the Official Gazette of the Republic of Serbia. Within this number of 140 companies, there are 20 public enterprises, companies founded by the Government for the purpose of performing activities of general interest.

Since the provisions of the Law do not apply on other forms except joint stock company or limited liability company, these enterprises, will have to change their legal form either to joint stock companies or limited liability companies within one year of the effective date of the Law (until September 2025). As a first step, the Government will adopt by-law with criteria for choosing the legal form into which the public enterprise will be transformed. This will be followed by a change of legal form of public enterprises. September 2026 is the final deadline for these companies to harmonize their internal acts with the provisions of the new law (Article 46). As for state enterprises, which already have the form of joint stock companies or limited liability companies, they are obliged to harmonize their acts with the provisions of the new law within one year from the beginning of the application of the law, i.e. until September 2025.

Reform also envisages that all SOEs, applying the Law on SOE Governance, have defined annual goals, set out in the guidelines, that are periodically evaluated based on their fulfilment. General annual goals will be defined at the annual level, and more detailed guidelines will be adopted in a by-law as well as significant deviations from annual goals.

In order to ensure timely monitoring of SOEs, on one hand, and simplification of administrative procedures, reduction of costs, and environmental issues, on the other hand, the Law, among others, has prescribed the introduction of two databases to be managed by the Ministry of Economy: one for corporate governance issues and another for the business performance of SOEs, related to data deriving from their plans and reports.

In addition, the Law on SOEs Governance prescribes that the provisions of the law governing internal financial control in the public sector shall be applied to the establishment and work of internal audit functions in a SOE in line with the Public Internal Financial Control (PIFC), which is primarily regulated by the Budget System Law.

Challenges:

Corporate governance of state-owned enterprises in Serbia faces several challenges. The goal of the state is that the management and management bodies of SOEs possess a high level of expertise adapted to its activities, the business environment and the future opportunities and challenges. Companies owned by the state face special challenges, having in mind that the goal of these companies is not only to achieve profit, but also to achieve social, political and similar goals in the field of employment, price control, regional economic development, etc. Changing the SOE legal form is also a complex process. The biggest challenge will be defining SOE public property rights (asset inventory and assessment of assets of public companies), which is the basic prerequisite and initial step for changing the legal form. The registration of property rights of a public company is prescribed by the Law on Public Property.

Improvement of corporate governance in SOEs will also improve the level of service provision to other economic entities on the market, which will indirectly increase business competitiveness and overall business environment. Improving the management of state-owned enterprises will bring numerous benefits to the business community and the overall economy. Better management of SOEs will contribute to a more dynamic, transparent, and competitive business environment, ultimately benefiting both state-owned and private enterprises.

One of the challenges in the field of Internal Audit is the lack of employees due to the fact that salaries in private sector for these competencies are much higher.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The competencies of the Ministry of Economy, other relevant ministries, as well as deadlines for realization of planned activities of this part of the reform are prescribed by the Law on SOE's Governance. Ministry of Economy will propose by-laws, propose and announce list of SOEs under the scope of the new law with their classification, compile the annual report on the attainment of SOE's annual goals, establish and maintain the databases regarding corporate governance and SOE's business indicators. Apart from the Ministry of Economy, in the area of establishment of well-functioning internal audit units in state-owned enterprises, the overall supervision is in the competence of the Ministry of Finance, Department – Central Harmonisation Unit.

The implementation of this reform will be measured by four steps:

- 1. 100% of SOE's, applying the Law on SOE Governance, management bodies and directors meet the same requirements in the procedure of appointment (December 2026).*
- 2. 100% of SOEs, which are obliged by the Law on SOE Governance to establish Audit Committee, will establish an Independent IA function in line with the Budget System Law (December 2026).*
- 3. All public enterprises, founded by the Republic of Serbia, are registered as joint stock companies or limited liability companies and publicly publish by the law prescribed information and documents (December 2026).*
- 4. All SOEs, applying the Law on SOE Governance, have defined annual goals, set out in the guidelines, that are periodically evaluated based on their fulfilment (December 2027).*

Subarea 6.2: PRIVATE SECTOR DEVELOPMENT

The reforms in this subarea encompass a diverse range of topics relevant for business community, aimed at fostering business operation, job creation, economic growth and innovation. Key areas of focus include better implementation of state aid, improvement of the system of public procurement, enhancement in addressing parafiscal charges, improvement in transparency of business related legal framework, and the development of a strong and resilient science and innovation ecosystem for development of a knowledge-based economy.

Reform 6.2.1. Enhanced investment and development opportunities for entrepreneurs and private sector

The Reform proposed with overall aim of enhancement of investment and development opportunities for entrepreneurs and private sector includes several elements that equally contribute to the goal of this reform.

State aid

This part of the reform envisages efforts to reform state aid with **aim to create an equal opportunity** environment for businesses, to contribute to the sustainable economic development of Serbia by promoting fairness, transparency, efficiency, and competitiveness in the allocation of state resources in line with the EU standards in this area. Implementation of envisaged steps in this reform would benefit further legal compliance with the EU *acquis*, and will lead to improvement of transparency and enhanced efficiency. A transparent and compliant state aid framework can have a positive impact on investor confidence by increasing predictability,

thereby encouraging investment and economic growth. These measures would further promote fair competition, leading to a more vibrant and dynamic economy.

The Republic of Serbia plans to achieve the above-mentioned goals by creating a final state aid schemes inventory with all the information requested by the EC, then by adopting an Action Plan with the deadlines for harmonizing non-aligned state aid schemes, among which are the Law on Corporate Income Tax, the Law on Personal Income Tax and the Law on Free zones.

Implementing the Action plan and harmonizing the schemes within the given period, it will contribute to the protection of competition on the market, encouraging economic development, ensuring transparency in the allocation of state aid. In addition, by establishing adequate control of state aid and transparency in its allocation, the placing of individual business entities in a privileged position is prevented, that is, equal business conditions are created for all market participants. In this way, free competition is strengthened and healthier business conditions are ensured, which encourages the entry and stay of business entities on the market of the Republic of Serbia.

Challenges:

The legal framework in State aid area is largely in line with the EU *acquis*, however, currently, all non-compatible existing schemes were created before the adoption of the legal framework for the area of state aid control. The challenge is that the mentioned schemes do not have a limited duration and allocated budget. All the schemes are in the legislative form (i.e. law or bylaw, with specific article providing legal basis for action). Additional challenge is successful coordination of all institutions involved in the reform.

Particular challenge for Serbia is timing of alignment with the EU *acquis*, having in mind that the change in the *acquis* is in the competence of the European Commission, and it is difficult to estimate in advance time needed for Serbia to align domestic legal framework with the new *acquis* which might be adopted in the meantime, while respecting domestic procedures for amendments of a legislation.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

1. Final inventory approved by the European Commission

The Law on State Aid Control ("Official Gazette of the RS", No. 73/19) established the Commission for State Aid Control of the Republic of Serbia, as an independent and autonomous organization that exercises public powers in accordance with the Law, has the status of a legal entity and is responsible for the execution of its tasks to the National Assembly for matters within its jurisdiction.

The Commission is responsible for (1) determining the existence of state aid and (2) the compliance of state aid with state aid rules. State aid grantors have the obligations to notify state aid to the Commission before it is granted and reporting on all state aid granted. For any state aid that does not meet the relevant conditions and criteria, the Commission may order an appropriate measure.

In accordance with the Article 51 of the Law on State Aid Control and the Rulebook on the form and content of the annual report on the state aid schemes inventory ("Official Gazette of the RS", No. 41/22), the Commission for State Aid Control annually prepares a list of state aid schemes (State Aid Inventory) with recommendations for alignment, and submits it to the Government of the Republic of Serbia. According to this legal framework, the inventory includes the data on the state aid grantor, the title of the state aid scheme, legal basis for the adoption of the state aid scheme, the number and date of the decision or other act of the Commission for State Aid Control which assessed the compliance of the state aid scheme, the date of entry into force of the state aid scheme, the compliance assessment of the state aid scheme, recommendations of the Commission for State Aid Control, and additional notes.

2. A time-bound action plan for alignment of state aid schemes with the EU *acquis*, based on a final inventory, is adopted and approved by the European Commission.

The preparation of the Action Plan with the deadlines for harmonizing non-aligned state aid schemes is the responsibility of the Government of the Republic of Serbia. The relevant ministries, responsible for non-

aligned state aid schemes will jointly prepare the Action Plan and set the timeline for the alignment of the legislation in their competencies.

For each non-compatible existing aid scheme, it is necessary to carry out analysis i.e. ex post evaluation of the scheme, in relation to which the method and priority of alignment would be determined, as standing precondition for defining the timeline in the Action plan. The analysis would include an economic analysis (by effect approach, previous/current/future) and a legal analysis (method of compliance such as abolishment or legal compliance with relevant state aid framework).

3. All remaining aid schemes under the SAA are aligned with the EU *acquis*. The ministries, in whose jurisdiction are non-aligned state aid schemes, will be responsible for harmonizing non-aligned state aid schemes. This will be done in accordance with the responsibilities and deadlines that will be determined by the Action Plan of the Government of the Republic of Serbia. Finally, compliance is followed by prescribed procedures of the legal system of the Republic of Serbia, which includes necessary steps for amending legislation (establishment of the working group, drafting phase, public consultation process phase, proposal phase and adoption phase – depending from the legislative form of the act).

The implementation of this part of the reform will be measured by three steps:

1. *Final inventory submitted in line with the European Commission's comments from March 2024 (December 2024).*

2. *A time-bound action plan for alignment of state aid schemes with the EU *acquis*, based on a final inventory, is adopted and approved by the European Commission (June 2025).*

3. *All remaining state aid schemes under the SAA are aligned with the EU *acquis* (December 2027).*

Public procurement

The existing normative solutions of the Public Procurement Law and by-laws have greatly contributed to the development of the public procurement system in the Republic of Serbia. However, in order to achieve complete modernization of this area, it is necessary to implement new solutions, which would increase the efficiency of the entire public procurement system. The provisions of the recent Law on Amendments to the Public Procurement Law are improving certain areas of the public procurement system, compared to the previous period.

The Public Procurement Office is conducting monitoring of the implementation of regulations on public procurement in order to prevent, detect and eliminate irregularities that may arise or have arisen in the implementation of the Public Procurement Law.

Accordingly, the Public Procurement Office is conducting regular monitoring based on the adopted annual monitoring plan and, ex officio, in the cases of conducting the negotiation procedure without prior publication stipulated in the Article 61, Paragraph 1, Point 1) and 2) of the Public Procurement Law, as well as ad hoc monitoring based on notifications from legal and natural persons, public administration bodies, autonomous province bodies and local self-government units and other state bodies.

Challenges:

Even though Serbia's legal and institutional framework on public procurement are broadly aligned with the EU *acquis*, further harmonization and improvement in the field of public procurement will be done, bearing in mind the need for economic development of the country and the goal of increasing transparency of all public procurement procedures.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The Public Procurement Office performs activities in the field of public procurement, monitors the implementation of public procurement regulations, participates in drafting laws and other regulations in the

field of public procurement and enacts bylaws in the field of public procurement, manages the Public Procurement Portal, records data on public procurement procedures and public procurement contracts, cooperates with domestic and foreign institutions and experts in the field of public procurement in order to improve the public procurement system, provides professional assistance to contracting authorities and bidders, contributes to creating conditions for economical, efficient and transparent use of public funds in the public procurement procedure.

All contracts under intergovernmental agreements will be published at websites by the competent ministries in charge for implementing projects in this area.

The implementation of this part of the reform will be measured by two steps:

*1. The level of transparency regarding all projects contracted under intergovernmental agreements is increased by introducing project-specific information on the website of the ministry in charge of implementing the project on any completed, ongoing and new procurement contracts under intergovernmental agreements. All contracts under intergovernmental agreements will be published starting from **December 2024**, and this practice will be maintained in the following years for all new contracts, including: name of the project; basic procurement contract information; contracting authority; main contractor and procurement procedure followed (**June 2025**).*

*2. All special and other laws/decrees introducing derogations from the public procurement legislation are lifted (**June 2027**).*

Parafiscal charges

Addressing the issues of parafiscal charges, or tax and non-tax public revenues, is crucial in eliminating unnecessary financial and administrative burdens on businesses, improvement of transparency and predictability of various charges, encouraging entrepreneurship, fight against grey economy and stimulating economic activity. This reform has been recognized as one of the specific objectives of the Program for combating grey economy in the Republic of Serbia 2023-2025. The reform encompasses different preparatory activities, starting from analytical efforts and legal changes to the establishment of the electronic registry of charges related to tax and non-tax public revenues and finally enabling its payments through electronic means.

Challenges:

The complexity of developing a comprehensive program to support efforts of the Republic of Serbia in this area is compounded by the absence of a list detailing fees and other non-tax revenues collected by local self-government units. Moreover, the lack of resources further complicates this undertaking. With 140 local government units (LGUs) involved, compiling a complete inventory of parafiscal charges becomes a demanding task. Hence, the Republic of Serbia will need additional capacities and financial support to effectively address this challenge.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

Ministry of Finance, the Fiscal System Department, performs normative tasks related to the preparation of laws and other regulations governing the tax system and tax policy, as well as the system and policy of other public revenues, including, among others, national administrative fees and other public levies charged for the provision of public services, as well as fees for the use of public goods, and provides expert opinions on the application of regulations in these areas.

Normative tasks related to non-tax revenues determined and collected at the local level, falls within the jurisdiction of the Budget Department of the Ministry of Finance. The Budget Department, among other things, performs normative and study-analytical tasks in the preparation and drafting of laws and other regulations governing the financing system of local authorities, participates in the drafting of laws and other regulations allocating funds from the budgets of local authorities; provides instructions and monitors the development of the program part of the budget at all levels of government; analyzes the expenditures of budget users of the

Republic; analyzes the revenues and expenditures of local government budgets and reports on the execution of local government budgets; creates databases, and performs other tasks related to the regulation and implementation of the budget system and budget policy.

The Fiscal System Department of the Ministry of Finance will provide expert, technical, and other necessary assistance related to activities in the realization of the reform objective concerning the preparation of a centralized digital system in terms of the availability of essential elements of non-tax revenues to strengthen supervisory mechanisms, ensure fairness of non-tax revenues, and their contribution to public welfare and economic development.

The implementation of this part of the reform will be measured by one step:

1. All public revenues (tax and non-tax) can be paid through electronic means (December 2027).

Transparency of the laws relevant for businesses

The Republic of Serbia has invested a lot of efforts in public participation in legislative processes. The "eConsultations" Portal has been established in 2021 as an integral part of the e-Government Portal. The aim of this portal is to enable the public to participate in the process of preparing and adopting documents of public policies and regulations in a unified and equitable manner, electronically (online). All competent authorities of state administration are obliged, in accordance with the regulations governing the planning system and the system of state administration in the Republic of Serbia, to timely and fully publish on the "eConsultations" portal all relevant information regarding consultations and public hearings they conduct within their jurisdiction.

Although the Republic of Serbia has made a visible progress regarding public participation in the legislative processes, further efforts are needed. Thus, reform suggested here will deal with the ensuring that specially the businesses are properly consulted and informed about regulatory changes in a timely manner.

Furthermore, changes in the Rules of Procedure of the Government and related regulations will enable the Government to make a decision if the proposed law or its amendments will be subject of a public hearing and it will give more political importance if such decision is made. Currently, only the members of the Government Committee are deciding on whether a public hearing will be conducted. By amending subparagraph of the Article 41 of the Rules of Procedure, the decision to conduct a public hearing, the program of the public hearing and the deadline for its implementation will be determined by the Government, upon the proposal of the proponent. This will ensure that ministers have more responsibilities for legislation in their competence and thus number of decisions on exemption of public hearing will drop significantly. The Action Plan for the implementation of the Reform Agenda will specify other regulations that need to be amended.

Challenges:

On rare occasions, due to specific circumstances when perceived urgency or requirement for swift action is necessary, the Government of the Republic of Serbia has to adopt a legal act without consultations or public hearing. Current Serbian legislation prescribes public hearings for laws: of particular interest to citizens, the professional public or business entities, (interest means the introduction of rights or obligations for citizens and/or the economy or a completely new regulation of some area that will be of interest to the professional public); the legal regime that in some area changes significantly; and if a new law implies changes and/or additions of existing law and exceeds 30% of the text of the law being amended or supplemented. On the other hand, no public hearings is envisaged for: the law on the budget and all the regulations that are the so-called "accompanying" regulations with the adoption of the budget (financial plans of funds); laws ratifying international agreements; laws on loan guarantees; laws amending or supplementing existing laws if the changes are of a technical nature (e.g. a date is changed, or an observed error is deleted, etc.) or if the changes are less than 30% of the text of the law being amended or supplemented.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The General Secretariat of the Government is responsible for implementing the Rules of Procedure of the Government. In this sense, the competence of this Secretariat is to take care of whether the proposers of the law (ministries) have respected the rules on public hearings. The General Secretariat has the authority to propose to the Prime Minister that the Government shall not discuss draft laws that have not had a public hearing.

According to the Rules of Procedure of the Government ("Official Gazette of the RS", Nos. 61/06, 69/08, 88/09, 33/10, 69/10, 20/11, 37/11, 30/13, 76/14) Article 41 Public hearing - The proposer of the draft act is obliged to conduct a public hearing in the preparation of the law that significantly changes the regulation of an issue or regulates an issue that is of particular interest to the public. Public discussion can also be conducted in the preparation of development strategies, regulations and decisions. It is considered that the criteria from paragraph 1 of this article, which refer to the obligation to conduct a public hearing, are met in the following cases:

- 1) during the preparation of a new system law;
- 2) during the preparation of a new law, unless the competent committee decides otherwise on the reasoned proposal of the proponent;
- 3) during the preparation of the law on amendments and additions to the law, if it substantially changes the solutions from the existing law, which the competent committee, based on the reasoned proposal of the proponent, decides on, in each specific case;
- 4) during the preparation of the law on the ratification of an international agreement - only if the competent committee decides to hold a public hearing, and that on the reasoned proposal of the Ministry of Foreign Affairs or the state administration body whose scope is the issues regulated by the international agreement.

The decision to conduct a public hearing, the program of the public hearing and the deadline for its implementation are determined by the competent committee, upon the proposal of the proponent.

The public hearing procedure begins with the publication of a public invitation to participate in the public hearing with the public hearing program on the proponent's website and the e-Government portal. The public call also contains information on the formation and composition of the working group that prepared the draft or proposal of the act that is the subject of public discussion.

The deadline for submitting initiatives, proposals, suggestions and comments in written or electronic form is at least 15 days from the date of publication of the public call. The public hearing lasts at least 20 days.

If the proponent does not hold a public hearing, and it was required, the competent committee, when considering the draft law, determines the program of the public hearing and the deadline in which it is held.

A proponent who does not conduct a public hearing according to the program determined by the competent committee is obliged to conduct the public hearing in its entirety.

The proposer is obliged to publish the report on the conducted public hearing on its website and the e-Government portal no later than 15 days after the end of the public hearing, it is mandatory for the proposer of a law, that significantly changes the regulation of some matter or addresses an issue of particular public interest, to conduct a public hearing. Public hearing can also be conducted in the preparation of development strategies, regulations, and decisions. The decision to conduct a public hearing, the program of the public hearing, and the timeframe in which it is conducted are determined by the competent committee of the Government, upon the proposer's proposal.

The procedure for public hearing begins with the publication of a public invitation to participate in the public hearing with the program of the public hearing on the proposer's website and the e-Government portal. The public invitation also includes information about the forming and composition of the working group that prepared the draft or proposal that is the subject of the public hearing. If the proposer fails to conduct a public hearing despite being obligated to do so, the competent committee of the Government, when considering the draft law, determines the program of the public hearing and the timeframe in which it is conducted. The proposer who fails to conduct a public hearing according to the program determined by the competent committee of the Government is obliged to fully conduct the public hearing. The proposer is required to publish a report on the conducted public hearing on its website and the e-Government portal no later than 15 days from the completion of the public hearing.

The Law on State administration ("Official Gazette of the RS", Nos. 79/05, 101/07, 95/10, 99/14, 30/18 - other law, 47/18) stipulates in Article 77 - Public participation in the preparation of draft laws, other regulations and acts / State administration bodies are obliged to provide conditions for public participation during the preparation of draft laws, other regulations and acts, in accordance with this law.

Ministries and special organizations are obliged to inform the public through their website and the e-Government portal about the start of drafting the law, while also publishing basic information about the planned solutions that will be proposed. When starting the preparation of a draft law that significantly changes the legal regime in one area or that regulates issues that are of particular interest to the public, ministries and special organizations publish, via their website and e-Government portal, a starting document that contains a description of the problems in a certain area and their the causes, goals and expected effects of the adoption of the law, as well as the basic principles for regulating social relations in that area, including the rights and obligations of the entities to which the law applies (basic principles).

During the preparation of the draft law, ministries and special organizations conduct consultations with all relevant entities, including other state authorities, relevant associations, the professional public, as well as other interested parties, in a way that ensures openness and effective public participation in the process.

The provision of paragraph 4 of this article is accordingly applied when preparing by-laws that elaborate certain provisions or determine the manner of execution of certain provisions of the law from paragraph 3 of this article.

Ministries and special organizations are obliged to hold a public discussion in the preparation of the draft law from paragraph 3 of this article. The conduct of a public hearing in the preparation of a draft law is regulated in more detail by the Rules of Procedure of the Government. The Ministry responsible for state administration, in cooperation with the state administration body responsible for public policies, prepares and adopts a rulebook regulating good practice guidelines for achieving public participation in the preparation of draft laws, other acts and regulations. The provisions of this article are accordingly applied in the preparation of development strategies, action plans and other public policy documents, unless otherwise regulated by a separate law. In the preparation of the development strategy, a public hearing must be held, in accordance with the Government's rules of procedure.

The implementation of this part of the reform will be measured by two steps:

1. Changes in the Rules of Procedure of the Government so that the decision to conduct a public hearing, the program of the public hearing and the deadline for its implementation are determined by the Government, instead of a competent committee, upon the proposal of the proponent (December 2025).

2. 100 % of legislation:

1. that is of particular interest to citizens, the professional public or business entities (interest means the introduction of rights or obligations for citizens and/or the economy or a completely new regulation of some area that will be of interest to the professional public);

2. that implies that the legal regime in some area changes significantly;

3. which, if a new law is passed or the changes and/or additions of existing law exceed 30% of the text of the law that is being amended or supplemented, is undergoing consultative procedures (June 2027).

Reform 6.2.2. Further Development of the science and innovation ecosystem for a knowledge-based economy

The development of a thriving science and innovation ecosystem is pivotal for long-term economic success of an economy. Increased investment in research and development fosters technological advancements, enhances productivity, and drives competitiveness in the global market. By nurturing a culture of innovation and entrepreneurship, these reforms create an environment conducive to investment and entrepreneurial opportunities, paving the way for sustained economic growth and prosperity.

In the past few years, the Republic of Serbia has done a lot in order to improve the environment for knowledge based economy. In order to increase the number of start-ups and what is more important to establish positive regulatory environment for creating more start-ups/spinoffs that come from research organizations, some of the amendments in regulatory framework should be implemented as one of the first steps, as well as alignment with the EU *acquis* (European Research Infrastructure Consortium (ERIC) Regulation). The specific legislative acts that need to be adopted or amended will be identified during the TAIEX Expert mission which will be organized in the second part of this year, and will assist Serbia in aligning its national legislation with ERIC Regulation.

The goal of this reform is to cultivate an efficient, knowledge-based economy capable of developing and marketing top-tier innovative products and services with global market competitiveness. In pursuit of this goal, initiatives include increasing the registration of entities within the National Innovation System on the e-Innovation portal and elevating the number of funded researchers/innovators in the National Innovation System, striving to reach the number of funded researchers/innovative companies of 3400/600 in mid-2025, with most recent baseline data being 505 innovative companies as of March 2024 and 3288 Serbian researchers currently engaged in projects supported by Science Fund of the Republic of Serbia. Additional initiative will encompass boosting private sector investment in research and innovation, going from 43,7% in 2022 to 50% of total expenditure on R&I by the end of 2026.

A significant milestone would be progressing from an 'Emerging innovator' to a 'Moderate innovator' status. This would be done through fostering further development of the innovation ecosystem, through numerous infrastructure projects, support programs specifically related to the support of Series A startups, as well as through the further development of financial support mechanisms, including the encouragement of greater investment from the economic sector and the creation of a greater number of VC funds.

It is also crucial to align with ERIC Regulation, and enhance the capabilities to foster the growth of an advanced technology ecosystem. These activities are pivotal in enhancing the efficiency and competitiveness of the market economy, showcasing the strategic importance of the Reform Agenda in further developing the science and innovation ecosystem for a knowledge-based economy.

In addition, the reform focuses on strengthening the infrastructure support network to start-ups in all stages of development through the expansion of the existing one. Having in mind how long it takes and how expensive it is to create innovations in biotechnology, Serbian Government finds it is necessary to provide cutting-edge infrastructure and equipment for research, but also to enable venture capital and financing for start-up companies and small businesses with long-term growth potential, along with providing other types of financial support. Bridging the gap between science and industry is fostered, among other things, by signing MoU with companies and research organizations that envision mutually beneficial cooperation and projects. To enable sharing the infrastructure and exchanging knowledge and experiences with EU colleagues, Serbia will join ESFRI and 2 more ERICs.

Challenges:

The implementation and further development of the science and innovation ecosystem are facing different challenges regarding consistent and sustainable funding for long-term research projects, start-ups, and innovation initiatives, infrastructure and technological resources as well as brain drain. Addressing these challenges requires a cohesive effort from all stakeholders involved in the science and innovation ecosystem, including government bodies, educational institutions, the private sector, and the international community.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The Ministry of Science, Technological Development and Innovation of the Republic of Serbia deals with the system, scientific activities development and improvement, and all in the function of scientific, technological and economic development; proposing and implementing policies and strategies for scientific and technological development; determining and implementing scientific, technological, and developmental research programs; supporting young talents; training personnel for scientific research; proposing and implementing innovation policies; proposing and implementing policies and programs in the field of artificial intelligence; promoting technology entrepreneurship, knowledge transfer, and technology in the economy;

developing and improving the innovation system in the Republic of Serbia; developing the functioning of the scientific-technological information system and the development program of scientific-technological infrastructure; etc.

The implementation of this reform will be measured by following steps:

1. *The private sector expenditure on research and innovation is increased to 50% of total expenditure on R&I, submitted to Eurostat by the National Statistics Office (December 2026).*
2. *The number of funded researchers/innovative companies in the National Innovation System (Supported by Science Fund and Innovation Fund programs) is increased to 3400/600 (June 2025).*
3. *Full alignment with the European Research Infrastructure Consortium (ERIC) Regulation is reached (December 2025).*
4. *Serbia advances from 'Emerging innovator' to 'Moderate innovator' in the European Innovation Scoreboard (December 2027).*

Subarea 6.3: BUSINESS SECTOR COMPETITIVENESS

The Business Sector Competitiveness subarea prioritizes agricultural sector enhancement through legislative alignment with the EU *acquis* and infrastructural improvements in rural areas and overcoming fragmentation of agriculture production through the land consolidation. Measures targeting food safety and rural infrastructure are expected to reinforce agricultural resilience and sustainability, bring further alignment with the EU standards and increase exports.

Reform: 6.3.1 Enhance the competitiveness of the agricultural sector

Agriculture and the food industry are significant contributors to the economy of Serbia. Relatively high share of GVA (*Gross Value Added*) of the agriculture, forestry and fishery in the total GDP of the Republic of Serbia (6.2% on average between 2017 to 2022)¹⁴ compared to the EU average (1.3% of the GDP in 2021)¹⁵ is partially a reflection of favourable natural conditions (geographical position, natural resources, climate factor) and resources for agricultural production (utilized agricultural land makes up approximately 40% of the territory). The agricultural potential is not fully exploited due to lack of technological development in all branches of agriculture and due to sparsely populated rural areas. On the other hand, it is noticeable that, compared to five years ago, the income of foreign trade in agriculture has increased several times, which has directly contributed to the growth of GDP. Approximately 13% of the total number of employees in 2023 worked in agriculture (179.7 thousand formally employed persons, as well as 193.4 thousand of informally employed)¹⁶.

Agricultural and food products play a significant role in Serbia's foreign trade, particularly in exports. In 2023 the achieved value of export of agricultural food products was about 4.7 billion EUR (16.2% of the total export), and the achieved value of import was at the level of 3.5 billion EUR. The surplus of trade in agricultural food products continued during 2023 (about 1.2 billion EUR, as well as the coverage of import by export (135%))¹⁷. Nevertheless, over the past decade, there has been a noticeable increase in the proportion of processed agricultural products being exported. These are products that have undergone a higher degree of processing.

The current organizational structure of domestic agriculture is unfavorable, as family farms have the largest participation in agricultural production (99,6%). The number of existing associations that are closely defined and organized by type of production, especially in the field of primary production, is large, but they are poorly developed and their role and activities are limited, which is accompanied by a low level of professionalization.

¹⁴ Statistical Office of the Republic of Serbia, Gross added value by activities, edited by the Public Policy Secretariat of the Republic of Serbia, <https://data.stat.gov.rs/Home/Result/0902010301?languageCode=sr-Cyrl>

¹⁵ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Enlargement_countries_-_agriculture,_forestry_and_fisheries_statistics

¹⁶ Statistical Office of the Republic of Serbia, Labour Force Survey. 2023, edited by the Public Policy Secretariat of the Republic of Serbia, <https://publikacije.stat.gov.rs/G2023/Pdf/G20235695.pdf>

¹⁷ Statistical Office of the Republic of Serbia.

The association of producers, especially small farms, which are not competitive on the market with their production volumes and technology, represents a reasonable and rational approach to solving the problem of sustainability of agricultural production and a more equal market appearance. The adoption of bylaws related to producer organizations on the basis of the Law on Organization of Agricultural Products Market ("Official Gazette of the RS" No. 67/21) will create conditions for the organization of producers into producer organizations in the form that exist in the EU.

Organic production in the Republic of Serbia has a high natural potential, which includes favourable geographical resources, which are characterized by greens that in most cases are not contaminated with heavy metals and organic pollutants, as well as favourable climatic conditions. In the last 10 years, the total area under organic production has increased by 254% .

Support beneficiaries must be entered into the Farm Register, in order to be able to compete for funds from the national budget or from the IPARD. At the moment, there are 463.774 active holdings entered into the Register¹⁸, of which 99% is registered as a family agricultural holding, while only 0.8% and 0,2% have the status of a legal entity or an entrepreneur, respectively.

The share of the irrigated areas is 8.3% of the total area of utilized agricultural land¹⁹. Through the initiated and planned investment projects, conditions are created for the irrigation of almost 100,000 ha of additional agricultural land.

The future agriculture legal framework will also include objectives and activities of the European Green Deal, in terms of establishing a fair, healthy and environmentally sound market chain of food products, and through activities of reduction of the use of pesticides, fertilisers and antibiotics, as well as reduction of the risk of their use, and the one hand, and improvement of the environmental protection and preservation of biodiversity, on the other.

The aim of this reform is competitiveness growth of the agricultural and food sector in the Republic of Serbia. With a view to creating conditions for improvement of competitiveness of agriculture, activities are to be undertaken aimed at (a) improvement of infrastructure in rural areas through measures financed from national budget; (b) establishment of a regulatory framework for the land consolidation process; (c) establishment of a regulatory framework for food safety, veterinary and phytosanitary policy aligned with EU *acquis*. The reform will also contribute to eliminating trade barriers that can be put in place.

In order to raise the level of competitiveness of agricultural producers and to improve the quality of life in rural areas, it is necessary to improve rural infrastructure through the construction of: local roads; power network; water supply; as well as investments in environmental protection facilities such as wastewater treatment plants or landfills. The development of rural infrastructure in the area of water supply and road infrastructure should facilitate the development of local communities, business activity and competitiveness, growth and employment in rural areas, which results in an economic, social and territorial development, i.e. smart, sustainable and inclusive growth. The beneficiaries of this measure are local self-government units (municipalities and cities) which, along with quality projects for the improvement of rural infrastructure, create conditions for greater competitiveness of domestic agricultural producers and processors. The implementation of the measure at the national level will enable the preparation of the state administration and end users (Local Self-Government Units) for more efficient use of EU IPARD pre-accession funds intended for rural infrastructure development, which are fully compliant with the European Green Deal.

The land consolidation process is expected to contribute to the increase of the percentage of agricultural land, investments, productivity and employment in agriculture. The land consolidation process, which is governed by the Law on Agricultural Land ("Official Gazette of the RS", Nos. 62/06, 65/08-as amended, 41/09, 112/15, 80/17 and 95/18- as amended) needs to be further improved, in order to reduce the average duration of the procedure from the adoption of the land consolidation programme by the local self-government unit assembly, to the vesting of the owner in property of the consolidated area. More efficient implementation of land consolidation procedure (on scattered parcels and fragmented holdings of agricultural producers) will be enabled through the establishment of a legislative framework that includes the adoption of the Law on Land

¹⁸ Open Data Portal, <https://data.gov.rs/sr/datasets/rpg-broj-svikh-registrovanikh-poljoprivrednikh-gazdinstava-aktivna-gazdinstva/> *no data for Kosovo and Metohija.

¹⁹ Statistical Office of the Republic of Serbia, Agricultural Census 2023

Consolidation and implementing acts which will be determined, prepared and adopted after the adoption of the main law.

Alignment of the legislative framework with the EU *acquis* in the field of food safety, veterinary and phytosanitary policy will contribute to the establishment of equivalent systems that will facilitate the placement at the EU Single Market of agricultural and food products that meet high standards of food safety, which will increase their competitiveness and provide increased export possibilities.

Challenges:

The organizational - economic weakness of the largest number of agricultural entities, and the fact that they are technically and technologically under-equipped, is the main challenge on the road to the development of agricultural activity in the Republic of Serbia. The largest number of holdings is small or medium-sized, thus fragmented, and engaging in extensive production, without any specialised production in a specific sector. Holdings up to 5 ha make up 68.5% of the total number, while the average area of the used agricultural land at the level of the Republic of Serbia is 6.4 ha²⁰. Farms of this size are too small to be competitive.

Independent activity without strong tendency for association, insufficient investments in agriculture, and a fragmented market chain, limit the development of agricultural production. The climate change affects agriculture the most, therefore addressing these issues requires adequate investments.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The Ministry of Agriculture, Forestry and Water Management and its Administration, among others performs state administration tasks related to strategy and policy of development of agriculture and food industry; analysis of the production and market of agricultural products; regulation of the common market, measures of market-price policy, structural policy and land policy in agriculture; incentive measures for the improvement of agricultural production; protection and use of agricultural land; production of agricultural inputs for the agricultural and food industry, production and trade of food products; quality control of agricultural products and food products in internal and external traffic; rural development; professional agricultural services; conservation and sustainable use of plant and animal genetic resources for food and agriculture; establishment and management of the information system on agricultural land in the Republic of Serbia; allocation of funds for the execution of works and monitoring of the implementation of the annual program of protection, arrangement and use of agricultural land in the Republic of Serbia; monitoring the development of the Agricultural Basics of the Republic of Serbia and its implementation; maintaining the register of agricultural bases of local self-government units, as well as other tasks specified by law.

The Republic Geodetic Institute of the Republic of Serbia performs professional geodetic work, state survey work, manages the Real Estate Cadastre and management work for all geospatial data at the national level.

The Ministry of Health is responsible for specific issues in the field of food safety, namely the Law on Items of General Use and the Law on Water in Original Packaging.

The implementation of this reform will be measured by following steps:

- 1. The Law on Land Consolidation is adopted (June 2026).*
- 2. All implementing legislation is adopted and entered into force (June 2027).*
- 3. At least 10 projects financed from the national budget, not exceeding EUR 299,999 per project, contracted under public calls aimed to improve rural public infrastructure in the areas of water supply and road infrastructure facilities (December 2025, 2026, 2027).*
- 4. All Framework Laws aligned with the EU *acquis* in the areas of food safety, veterinary and phytosanitary policy, necessary for opening Chapter 12, are adopted by Parliament and entered into force (June 2027).*
- 5. Expert surveillance in land consolidation procedures is implemented (December 2026).*

²⁰ Statistical Office of the Republic of Serbia, Agricultural Census 2023

6. *The piloting for land consolidation has been rolled out (December 2027).*

7 POLICY AREA 2: GREEN AND DIGITAL TRANSITION

The reforms in green transition encompass a diverse range of topics relevant for energy sector transformation. Key areas of focus are: implementation of the Third Energy Package for gas and transposition and implementation of the electricity integration package, ensuring affordable electricity price supply, just transition, increasing the uptake of RES, introducing a price on carbon emissions and improving the energy efficiency and saving energy. All the mentioned reforms will directly contribute to the implementation of the Green Agenda. The unbundling and certification of the gas transmission system operator allows for independent network management and enhances supply security. This action aligns with the first pillar of the Green Agenda, climate action, and the Clean Energy Transition, reducing dependency on fossil fuels and backing the shift to renewable energy sources. This change should lessen energy imports, develop renewable energy sources, strengthen regional energy security, unlock more economic growth, and tackle continuous air and related health pollution challenges. Projects such as bidirectional gas pipelines and the gas interconnectors directly contribute to these goals by enhancing infrastructure and connectivity, further supporting the diversification of energy sources. Ensuring affordable electricity prices will directly contribute to achieving action 16: Develop programs for addressing energy poverty and financing schemes for household renovation and providing basic standards of living, within the first pillar of the Green Agenda. Expanding support programs for energy-vulnerable customers, especially pensioners with minimal pensions and social assistance beneficiaries, contributes to social justice and poverty reduction, which is crucial for a fair transition to the Green Agenda.

Adopting the NECP directly contributes to the Action 3: Develop and implement integrated Energy and Climate Plans, within the first pillar of the Green Agenda. The transition to climate-neutrality must be socially just and inclusive in order to be a success. The implementation of the Just Transition Action Plan addresses the need for support and assistance to regions most affected by the transition and these actions require substantial time and financing beyond the national budget's capabilities. The establishment of the Just Transition governance process and the Just Transition Fund for Serbia with financial support from the European Union through the RGF and potentially other donors will create a structured approach to managing the transition. This contributes to Action 9: Preparing an assessment of the socio-economic impact of decarbonization at the individual economy and regional levels, within the first pillar of the Green Agenda, ensuring that the transition is managed in an organized and inclusive manner, promoting social equity and environmental sustainability. The implementation of pilot projects for "JP PEU Resavica" and Kostolac focused on reskilling and upskilling the workforce will provide practical solutions and new opportunities for workers in regions affected by the transition from coal, ensuring that they can participate in the new green economy.

Boosting the use of renewable energy sources involves setting up a single contact point as per the RED II Directive by December 2025, along with preparing the legal and institutional framework for designating areas for rapid renewable energy development and permit issuance procedures. Installing at least 1.5 GW of renewable energy capacity (cumulative in energy mix for solar and wind) by December 2026 will directly contribute to the Action 13: Increase the share of renewable energy sources and provide the necessary investment conditions within first pillar of the Green Agenda. This will be further supported by renewable energy projects. Implementation of the Energy Efficiency Directive, the Energy Performance of Building Directive, Ecodesign and energy labelling legislation directly fulfills the requirements of the Green Agenda, which stipulates that energy efficiency, a prerequisite for achieving decarbonization at the lowest possible cost, must be integrated into future energy-related policy and investment decisions. This contributes to the green transition and the Action 11 Transposition and full enforcement of the Energy Performance of Buildings Directive, within first pillar of the Green Agenda. This will be further supported by projects such as energy efficiency program at the central and local level.

In the field of green and digital transition, reforms considered a priority and targeted in the Reform Agenda, are grouped within subarea Energy sector transformation.

Subarea 7.1: ENERGY SECTOR TRANSFORMATION²¹

The first subarea under the **Policy area 2 Green and Digital Transition**, is the **Energy Sector Transformation**. The reforms in this subarea encompass a diverse range of topics relevant for energy sector transformation. Key areas of focus are: the integration of the energy market of the Republic of Serbia with the single European energy market, ensuring affordable electricity price supply, just transition, increasing the uptake of RES, introducing a price on carbon emissions and improving the energy efficiency and saving energy.

Reform 7.1.1. Implementation of the Third Energy Package for gas and transposition and implementation of the electricity integration package

Challenges:

Taking into account the circumstances in the world and the EU and the context of the energy security and the efforts of the economies to be as much as possible energy self-sufficient, diversification of sources of energy supply including also natural gas supply is of utmost importance. Diversification of energy sources is addressed also in other dimensions such as assurance of security of supply through higher interconnections and fostering market integration. The Republic of Serbia is working on increasing its gas interconnections with the EU Member States and the Energy Community Contracting Parties. Also, the physical (for the time being gas) infrastructure will pave the way towards new sources (after reaching the mature stages of the technologies such as hydrogen). However, while the Republic of Serbia is facing issues related to diversification of its gas supplies, ensuring financing for gas infrastructure became very challenging. In addition, the unbundling and certification of the Serbian TSO Transportgas is to be finalized.

As a member of the Energy Community, the Republic of Serbia undertook to harmonize its legislation with the requirements of Directive 2009/73/EC on common rules for the internal market of natural gas and Regulation (EC) 715/2009 on conditions for access to the natural gas transport network, with the aim of improving competition and lower prices of natural gas for the end consumer. The law on energy stipulates that the transport system operator is obliged to provide users with access to the system at regulated prices based on the principle of publicity and non-discrimination, in accordance with the provisions of this law, as well as the regulations and rules on the operation of the system approved by the Energy Agency of the Republic of Serbia (AERS). In October 2022, the Government passed five decrees that transferred the provisions of EU regulations related to network rules in the field of gas into the Serbian legislation, namely: Regulation on network rules related to the calculation and allocation of capacity for natural gas transportation; Regulation on network rules on harmonized tariffs for natural gas transportation; Regulation on network rules for balancing the transportation system for natural gas; Regulation on network rules for congestion management procedures and publication of data and technical information for access to the natural gas transport system; Regulation on network rules on mutual cooperation of transport system operators and data exchange rules for the operation of interconnected gas transport systems. Transport systems operator are obliged to harmonize their work rules with the provisions of these regulations and submit them to the AERS for approval. On June 12, 2023, "Transportgas Srbija" submitted the text of the Rules on the Operation of the Transport System to the Energy Agency of the Republic of Serbia for approval. Harmonization of the final text is underway. Adopting new rules on the operation of the transport system will also create conditions for free third-party access within the planned period.

Adopting the Rules on the operation of the TSO "Transportgas Serbia", in accordance with the Law on Energy and Regulations on network rules, is one of the prerequisites for opening the entry point Horgoš, and as already stated, the final text of this document is being harmonized.

In addition, activities are carried out on the installation of measuring devices, their connection to the existing system and the creation of conditions for access to measurement data for users of the system. It is planned that these activities will be completed within the stipulated period and thereby enable the opening of access to the market through the Horgoš entry point in accordance with EU rules.

²¹ The deadlines stipulated in this section are without prejudice to the obligations under and deadlines set by the *acquis* Communautaire of the Energy Community Treaty, and do not affect the applicability and enforceability of the latter.

In the last year the Republic of Serbia adopted legislative changes related to the unbundling of its TSOs which are now being implemented. The European rules governing unbundling of TSOs include a specific unbundling model applicable to cases where the ownership of the transmission system is held by a person different than the TSO, i.e. the Independent System Operator (ISO) unbundling model. The main idea of such a model is that the ISO shall run the network independently from its owner by being responsible for the operation, development and maintenance of the system. The ISO must demonstrate that it has at its disposal the required financial, technical, physical and human resources to carry out its tasks and rights whereas the transmission owner is obliged to finance investments decided by the ISO. Such a model could be implemented in the Republic of Serbia for unbundling and certification of its gas TSO in accordance with the experience from the EU Member States, and the decisions of the European Commission on certification of the Companiei Nationale de Transport al Energiei Electrice Transelectrica S.A. from Romania, the Augstsprieguma tikls from Latvia and the Trans Austria Gasleitung GmbH (TAG) from Austria, as well as the experience from several Energy Community Contracting Parties and the opinions from the Energy Community Secretariat on the certification of Moldelectrica from Moldova and GTSO and Ukrenergo from Ukraine.

With regard to the electricity market integration, the Republic of Serbia is facing certain challenges related to the regional cooperation and the definition of the regions within the Energy Community. Therefore, the Republic of Serbia is working on solutions that would be acceptable for all parties, ensuring the national interests are preserved without jeopardizing integration into the EU's single electricity market. EMS has also initiated a discussion through ENTSO-E, in order to consider other options and come to a solution that would be acceptable to all parties. The discussion is currently ongoing, with four potential solutions being considered. After finding a solution for reconfiguration of a CCR time is needed for its formal adoption by ACER on a proposal from all EU TSOs, as well as then for creating methodologies and procedures and their adoption, which will enable the DAM market coupling. In addition, time is necessary for signing the necessary cooperation and operational agreements for SDAC and SIDC, as well as for testing before market coupling.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The final beneficiaries of the reforms addressing the challenges outlined above are the citizens of the Republic of Serbia and its businesses. Namely, ensuring security of supply, including through unbundling the gas TSO, as well as electricity market integration with the European electricity market would benefit both natural and legal persons, households and the whole economy of the Republic of Serbia.

The Energy Agency of the Republic of Serbia (AERS) was established by the Energy Law as an independent and regulatory body with competences covering electricity, natural gas, oil and oil product, and CHP heat energy sectors. By executing tasks assigned to it by the Energy Law, the Agency contributes to the creation of a stable regulatory framework for the development of an efficient and sustainable energy sector that will be a strong backbone of the country's economic development. AERS has responsibility for the certification procedure.

Namely, AERS reviews the compliance of Transportgas with the unbundling criteria and would issue preliminary and final certification opinion. AERS is also governing compliance with the third party access to the gas infrastructure and with monitoring compliance with the allocation of capacity. With regard to the measures to be taken for electricity, AERS monitors, enforces and adopts decisions related to electricity market coupling, alone and jointly with other National Regulatory Authorities (NRAs).

In addition, Transportgas as a gas TSO to be certified would have to comply with the unbundling criteria and to submit an application for certification.

EMS as an electricity TSO as well as SEEPEX as a designated National Electricity Market Operator would be responsible for implementing the measures related to market coupling.

The Ministry in charge of Mining and Energy (MoME) is the body responsible for defining the energy policy of the Republic of Serbia. The MoME performs tasks related to: preparation and drafting of the energy policy, that is, the Energy Development Strategy and Integrated National Energy and Climate Plan of the Republic of Serbia the Strategy Implementation Program, the Energy Balance, as well as other planning documents and reports in the field of energy at the national and local level; monitoring the implementation of the Energy Development Strategy, Strategy Implementation Program, Energy Balance and other strategic and planning documents; preparation of professional bases for the drafting of laws, proposals for by-laws and harmonization of regulations with the regulations of the European Union; The MoME is responsible for the transposition of

the main EU regulations for the Electricity Market Integration Package. The MoME is also responsible for ensuring the security of supply including natural gas supply, operational reserve of oil and oil derivatives.

The implementation of this reform will be measured by following steps:

1. *One certified Serbian TSO operates the whole gas transmission system in Serbia. (June 2025)*
2. *Third-party access to gas infrastructure is in place. (June 2025)*
3. *Allocation of capacities at Horgos and IBS border points is opened. (June 2025)*
4. *Implementation of the Electricity Integration Package (December 2024) through:*
 - a) *SRB Transmission System Operator (TSO) to suggest an acceptable reconfiguration within the ENTSO-E framework of the Shadow SEE CCRs including all SRB TSO bidding zone borders from Annex I of the Decision of the Ministerial Council of the Energy Community 2022/03/MC-EnC;*
 - b) *SRB TSO and Nominated Electricity Market Operator (NEMO) agree to all steps and procedures as required for the implementation of day-ahead market coupling with EU, in line with the applicable decisions of the Energy Community Ministerial Council;*
 - c) *The Serbian TSO will provide all necessary inputs required by the relevant RCC for capacity calculation to ensure capacity allocation within the market coupling process on all its bidding zone borders, as listed in Annex I of the Decision of the Ministerial Council of the Energy Community 2022/03/MC-EnC.*
5. *TSO to participate in Regional Coordination Centres and fulfil conditions to join EU balancing platforms (June 2026)*
6. *TSO and NEMO to fulfil all requirements under the Electricity Integration Package to join intra-day electricity market coupling with the EU (December 2026)*

Reform 7.1.2. Gradual tariff adjustments to cost recovery levels accompanied with measures to address energy poverty if and when needed

Challenges:

Ensuring affordable energy supply is a challenge for every national energy policy. The Republic of Serbia is facing challenges related to energy poverty, support to vulnerable energy customers as well as ensuring electricity price for households that the average electricity tariff covers the cost of electricity supply.

The electricity price for households ensures that the average electricity tariff covers the cost of electricity supply (especially operational expenditure and maintenance capital expenditure) and should be in line with Articles 5 and 9 of the Directive (EU) 2019/944. Ensuring cost-reflectivity of supply is however a challenging issue. In accordance with the Law on Energy, AERS is preparing and adopting a Report on the need to regulate electricity prices for guaranteed supply based on the achieved level of competitiveness in the domestic electricity market, the level of protection of energy-vulnerable customers, the development of the regional electricity market and assessments of available cross-border capacities. This is done annually, by December each year.

Ensuring cost reflectivity of household tariffs would have an impact on the vulnerable customers and the energy poor customers in the Republic of Serbia.

In particular, the energy crisis had a great impact on ensuring affordable supply for the households and the challenge is to find the mechanism for insuring the support for the most vulnerable categories. Ensuring affordable electricity price supply would require preparation and adoption of an action plan to ensure achievement of energy poverty reduction, development of the tools and methodology for collecting data relevant to monitoring energy poverty. In addition, the Republic of Serbia would implement measures in accordance with the adopted action plan to ensure achievement of energy poverty reduction.

The Republic of Serbia has in place rules for support to vulnerable customers. While earlier campaigns only increased coverage modestly, the Decree on Energy Vulnerable Customers was amended in October 2023 to expand the program automatically to pensioners with minimum pension and to the recipients of means-tested social assistance program, by exchanging information between competent authorities. In the implementation of the measures related to support to vulnerable customers, the Republic of Serbia has faced challenges and barriers in the access to measures by the customers that need to be removed in order to ensure the effectiveness

and efficiency of the measures. Therefore, it is necessary to amend the secondary legislation for already established mechanism of institutional framework for vulnerable energy customers reflecting the aim of the significant increase of the number of the users by December 2024. The support for reduction of energy poverty and to vulnerable customers shall be without prejudice that the Republic of Serbia could adopt under Article 9 of the Directive 2019/944.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The beneficiaries of the measures implemented to address the security of supply would be all households, but in particular the targeted support will benefit the vulnerable customers. Moreover, with the measures implementing to address the energy poverty, households that fall under the categories of energy poor would be direct beneficiaries.

The Ministry of Mining and Energy (MoME) performs state administration tasks related to: energy; energy policy and energy development planning in the field of electricity, as well as other acts related to the work and operations of public companies and companies that perform the activity of production, distribution and supply of electricity, natural gas, or oil and oil derivatives. MoME submits the relevant data and evaluations from their jurisdiction to the AERS.

In accordance with the Article 88 of the Energy of Law the Energy Agency of the Republic of Serbia (AERS) is competent to analyze the need to regulate prices based on the achieved level of competitiveness in the domestic electricity market, the level of protection of energy-vulnerable customers, the development of the regional electricity market and assessments of available cross-border capacities and prepares and published a report on the need for further regulation on those prices.

The supplier companies, including the universal service supplier, would be responsible to apply the prices based on methodologies developed by AERS. In addition, suppliers supplying electricity at non-regulated prices, would have to ensure cost-reflectivity of end-user prices as well.

The implementation of this reform will be measured by following step:

- 1. Electricity price for households ensures that the average electricity tariff covers the cost of electricity supply in accordance with the Article 5 and Article 9 of Directive 2019/944 (December 2026)*

It will be measured by conducting the procedure defined by the Law on Energy for the determination of the prices for electricity for households on a yearly basis. Following Article 88 of the Law on Energy, the Energy Agency of the Republic of Serbia once a year analyses the need to regulate prices based on the achieved level of competitiveness in the domestic electricity market, the level of protection of energy-vulnerable customers, the development of the regional electricity market and assessments of available cross-border capacities and prepares and published a report on the need for further regulation of those prices. In order to prepare this report, as the institution in charge of the protection of competition and energy entities, MoME is obliged to submit the necessary data and evaluations from their jurisdiction to the AERS. This Report is been done on a yearly basis. In line with the Article 5 of Directive 2019/944 Public interventions in the price setting for the supply of electricity shall be clearly defined, transparent, non-discriminatory and verifiable.

Reform 7.1.3. Implementation of the Just Transition Action Plan

Challenges:

Challenges relate to the need to support and help the regions most affected by the transition, in particular those with less capacity. This requires addressing the challenges related to areas dependent on coal mining, but also to replacing generation from coal with clean energy sources. However, such actions require substantial time and financing that goes beyond the capabilities of the national budget. Serbia's transition to low carbon development will, like for its neighbouring countries, become inevitable when the country joins the EU and it implements the EU climate *acquis*. Of all the European rules, the Emissions Trading System will have the greatest impact on emissions and on the economic fabric, by reducing the economic competitiveness of carbon intensive electricity production. Like many of its neighbours, several EU Member States and other countries around the world, Serbia is faced with a particular challenge related to the direct impacts of low carbon

development in the coal sector and its workers, and in the coal regions and their communities. The Just transition is set to bring important social, economic and environmental benefits to Serbia as a whole, but like any deep transformation these benefits, and the associated costs, which should be equally distributed across the society. The social component of the Just transition process, including the effects on the labour market and future jobs, are not negligible and should be considered as one of the central issues to be tackled throughout the reform process. The main challenges refer to the number of jobs that will be lost and related compensation policies, as well as the needs and potentials for upskilling and reskilling of employees. Territorial aspect and local development challenges within the areas where the existing energy production is located are also important as the process will inevitably hit not only directly affected economic sectors, but other indirectly related economic sectors in the supply chains. Closing of the energy facilities influences not only household incomes of the employees in the supply chains, but indirectly the whole local ecosystem. Decrease in consumption power can negatively influence economic activity in the wider area, with severe consequences as general unemployment increase, depopulation, poverty increase etc. The Just transition reform will inevitably have growing importance in terms of catching up with global technological progress and developing innovation-based carbon neutral economy. Just transition requires significant financial investments, but rigorous cost-benefit analyses that still need to be performed would indicate the price of non-acting.

In accordance with the obligations under the Energy Community Treaty, the Republic of Serbia has adopted the Integrated National Energy and Climate Plan of the Republic of Serbia until 2030, with projections until 2050, which defines the important goals of the country's energy policy.

Considering the age and structure of the energy sector as well as the adopted goals for 2030, the Republic of Serbia needs to implement an energy transition and a decarbonization process. This process must be analyzed from social, financial, and economic perspectives, and it is essential to define the economic sectors, regions, municipalities, companies, and the number of jobs that will be directly and indirectly affected by the energy transition. The action plan needs to outline regulatory, social, educational, financial, and other measures that will enable the establishment and implementation of a just energy transition process and facilitate the development of new knowledge and skills, new jobs, and new economic sectors.

The adopted NECP is in line with the requirements of the Governance Regulation (EU) 2018/1999, Directive (EU) 2018/2001, and Directive (EU) 2012/2007 as well as the Just Transition Action Plan should be adopted. The Just Transition governance process should be established in accordance with the adopted Just Transition Action Plan. In addition, a Just Transition Fund for Serbia should be established with the financial support of the European Union and potentially other donors by December 2025. The Republic of Serbia commits also to implement the pilot projects for “JP PEU Resavica” and Kostolac with recommendations focused on re-skilling and upskilling of workforce all in accordance with the adopted Just Transition Action Plan.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The targeted beneficiaries of the measures taken to address the just transition issues would be the companies, workers and citizens in the identified regions and municipalities where measures would be implemented, first as pilots and then increased depending of the funding from the Just Transition Fund and beyond.

MoME is working to secure funds so that the energy transition is financially sustainable and socially just, and in the process stimulate the creation of new jobs, strengthening competitiveness sector by developing SMEs, sustainable mining and the use of modern technologies, respecting the highest standards in environment protection but also greater utilisation of critical mineral raw materials with which our country is very rich, in a sustainable way. Such funds will be employed for establishing a Just Transition Fund which should benefit from international and national support.

The implementation of this reform will be measured by following steps:

- 1. The establishment of the Just Transition governance process in accordance with the adopted Just Transition Action Plan and Just Transition Fund for Serbia is established with the financial support of the European Union through the RGF and potentially other donors. (December 2025)*

The implementation of the Just Transition Action Plan will imply social protection policies implementation;

implementation of active labour market policies forging a systematic link to social protection, including for skills development, throughout the transition and other measures that support climate (adaptation and decarbonization) commitments.

2. *Implementation of the pilot projects for “JP PEU Resavica” and Kostolac with recommendations focused on re-skilling and upskilling of workforce all in accordance with the adopted Just Transition Action Plan. (June 2027)*

Reform 7.1.4. Ensure transparent and competitive procedures for the deployment of renewable energy

Challenges:

Serbia is facing challenges related to the need to increase the deployment of renewable energy. Namely, it is facing challenges related to speeding up the permitting process. Additionally, there is a lack of infrastructure for alternative fuels, which is crucial for the adoption of renewable energy sources in sectors beyond electricity. It is necessary to take measures to address this issue. Some of the legislative acts governing this area are not legally binding for the Republic of Serbia. However, despite the challenges for their implementation, the Republic of Serbia is committed to align its legislation with the European rules in order to address the barriers for deployment of more RES. In addition, the challenge in the introduction of Regulation EU 2023/1804 on the deployment of alternative fuels infrastructure is of a financial as well as technical nature. From the point of view of water transport, it is necessary to improve both the Strategy for the Development of Water Transport and the legal regulations governing the area of navigation.

The Regulation on the deployment of alternative fuels infrastructure is not legally binding for the Republic of Serbia, as it is not part of the Energy Community law. Therefore, the Republic of Serbia could commit to adopt a national policy framework and measures for deployment of alternative fuels infrastructure in line with alternative fuels infrastructure regulation (EU) 2023/1804. Finally, in line with the NECP and the projects already being implemented, a minimum 1,5 GW of renewable energy (cumulative in energy mix for solar and wind) capacities are envisaged to be installed by December 2026. As far as the deployment of alternative fuels infrastructure is concerned it is expected that the use of sustainable fuels (Sustainable Aviation Fuels) in air traffic from the expected 2% in 2025 will be represented up to 70% in 2050. In this regard, intensive activities are currently being carried out within competent international institutions to create an appropriate regulatory framework and define the necessary plans and steps to achieve the stated goal. The deadline for the adoption of the Law on the introduction of infrastructure for alternative fuels was set for December 2026. The procedure for forming a working group for the preparation of the law is underway. The law on the introduction of infrastructure for alternative fuels will cover all types of traffic.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The benefits from implementing the proposed measures to address the need for deployment of more renewables would benefit not only the electricity system by offering flexibility services, would also benefit the decarbonisation and electrification of the economy, as well as would have a positive impact on the air quality by helping the gradual decarbonisation.

The Ministry of Mining and Energy performs state administration tasks related to: use of renewable energy source; preparation of development strategies, action plans, draft laws, other regulations and general acts shaping the Government's policy in the area of RES use and aligning them with the regulations of the European Union; monitoring and determining the situation in the area of RES use and studying the consequences of the established situation in order to take appropriate measures in the area of RES use in the power, heat and transport sector; encouraging and directing the development of RES use, preparing and monitoring the implementation of RES projects that are financed from EU funds and donations from international institutions; participation in international cooperation in the field of RES.

The Ministry of Construction, Transport and Infrastructure is in charge of the overall policy, laws, regulations and strategic research related to transportation and infrastructure, including the deployment of alternative fuels infrastructure.

The implementation of this reform will be measured by following steps:

1. *A national policy framework and measures for deployment of alternative fuels infrastructure in line with alternative fuels infrastructure regulation (EU) 2023/1804 are adopted (December 2026).*
2. *Minimum 1,5 GW of renewable energy (cumulative in energy mix for solar and wind) capacities are installed in line with the adopted NECP (December 2026).*

Reform 7.1.5. Implementation of the Renewable Energy Directive (permitting, guarantees of origin, prosumers)

Challenges:

The RES target for Serbia is set at 27% in 2020, according to Decision D/2018/2/MC-EnC of the Energy Community Ministerial Council. Although renewable energy capacities are increasing, RES share trend is countered due to rising energy consumption in the recent years. In April 2023, the Law on Amendments to the Law on the Use of Renewable Energy Sources limited the prosumers' installing maximum power to 10.8 kW for households, or up to 150 kW for legal entities. From 2021 until July 2023, over 1,300 households and more than 450 legal entities in Serbia received buyer-producer status, with a total installed power of more than 20 MW. The challenge is to simplify and accelerate the procedures that prosumers go through in the registration process, and the inertness of the system, but also improving the legislation from 2023. In addition, compared to the period a year and a half ago, the number of prosumers increased seven times, and the power of facilities increased by 8.5 times. The Republic of Serbia should designate a single contact point in line with the RED II Directive by December 2025. Having in mind that the RED III is not incorporated in the Energy Community and is not legally binding for the Republic of Serbia, it nevertheless commits to prepare legal and institutional framework for designating renewable acceleration areas and permit granting procedures in line with the Directive (EU) 2023/2413.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

As above, the electricity system, the economy that would be decarbonised and all citizens and companies would benefit from deployment of more renewable energy sources.

The Ministry of Mining and Energy is in charge of smooth implementation of the Law on Amendments to the Law on the use of renewable energy sources, which enables the introduction of new capacities for the production of electricity from renewable sources into the power system in a way that will not jeopardize the safety of its operation. One of the changes in the proposed amendments to the Law on the Use of Renewable Energy Sources affects prosumers. Namely, the installed power for buyers-producers, as they are legally defined, is being limited in line with similar practice in the European Union and the Energy Community. The Electric Power Industry of Serbia is in charge of signing the contracts with households, that submitted the applications for concluding full supply contracts with net metering, and immediately informed the distribution system operator (Elektrodistribucija Srbije). The following step is connecting the power plant to the electric power system, which is the obligation of the distribution system operator, within five days as of signing the contract. Upon connecting, the distribution system operator shall, within five days, enter the end consumer into the Prosumer Register, which thus gains the prosumer status.

The implementation of this reform will be measured by following steps:

1. *Designation of a single contact point in line with the RED II Directive. (December 2025)*
2. *Adoption of the legal and institutional framework for designating renewable acceleration areas and permit granting procedures in line with the Directive (EU) 2023/2413. (June 2026)*

Reform 7.1.6. Implementation of MRVA²²

Challenges:

There is no price on carbon emissions in the Republic of Serbia. Design and implementation of a regulatory and legal framework for introducing such prices and establishing an emissions trading system represent a significant challenge for the country. Not only that there is no experience and there are needs for capacity building of the administration related to the MRVA, introducing an ETS is a very complex and challenging task. The ETS infrastructure that needs to be put in place is requiring resources and the Republic of Serbia will work on this with a view to gradually joining and using the EU ETS infrastructure in future.

However, the implementation of a MRVA package is a precondition for the Republic of Serbia to eventually join the EU ETS as a future EU Member State. For the implementation of the MRVA, the Republic of Serbia designated a competent authority the Ministry of Environmental Protection for the implementation of the rules of the Law on Climate Change ("Official Gazette of the RS", No. 26/21) that approves monitoring plans [in line with secondary national legislation that transposes the Commission Implementing Regulation (EU) 2018/2066 (MMRR)].

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The whole economy would benefit from implementing and MRVA as a precondition for introducing an ETS. In addition, funding received from carbon pricing could be used for green projects or addressing energy poverty, so beneficiaries would be defined based on assessment needs.

The Ministry in charge of Environmental Protection (MoEP) is the key institution in for the implementation of the MRVA. The MoEP, in accordance with the Law on Ministries, performs state administration tasks, which, among other things, also include protection of the ozone layer and climate change. For different stakeholders would need to cooperate, both with other national administrative bodies as well as with the industry and the economic entities.

The implementation of this reform will be measured by following step:

1. *Competent authority [for the implementation of the rules of the ETS Directive] approves monitoring plans [in line with national legislation that transposes the Commission Implementing Regulation (EU) 2018/2066 (MMRR)] (December 2025).*

Reform 7.1.7. Implementation of the Energy Efficiency Directive, The Energy Performance of Building Directive, Ecodesign and energy labelling legislation

Challenges:

Serbia needs to boost the energy efficiency and reduce the energy consumption faster. That will allow to achieve reductions in greenhouse gases and at the same time relieving pressure on energy supply and prices. Even though the legal framework is quite advanced, its implementation is time consuming and financially challenging. In particular, increasing the renovation of both residential and non-residential buildings, as well as establishing effective infrastructure for market surveillance of domestic heating products are most challenging to achieve.

The Energy Performance of Buildings Directive (EPBD) should be implemented in the Republic of Serbia completely. This should include setting recast of minimum energy performance standards for non-residential buildings and setting nearly zero energy building standards for new buildings, issuing of Energy Performance Certificates in line with EPBD and introducing independent control systems for energy performance certificates and inspection reports for heating and cooling systems. The Republic of Serbia commits to monitoring control and verification in line with EED. It also commits to increasing consumption-based billing up to 40% comparing to the status in December 2023. The Eco-design regulation for solid fuel local space

²² Implementation of the MRVA framework should be proven through the approval by the competent authorities of monitoring plans for each operator covered

heaters through the establishment of effective infrastructure for market surveillance and initiation of improvement of a replacement scheme for domestic heating in line with the Air Quality Programme of the Republic of Serbia should also be implemented. The annual rate of building renovation should also be increased in accordance with the NECP, for residential buildings (1%) and public buildings CGB (3%).

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

All citizens, in particular those using both residential and non-residential as well as public buildings, and customers of solid fuel heating devices, will be direct final beneficiaries targeted by the measures to be implemented under these reform action.

The MoME operated a Budgetary Fund for Energy Efficiency (Budgetary fund) in the period 2014-2021 in accordance with the Annual Programme of Financing, adopted by the Government, while the procedures and method of funds distribution, as well as the method of supervising the correct use of the fund and contractual rights and obligations are regulated by the regulations that are linked with annual programmes. In April 2021, the newly adopted Law on Energy Efficiency and Rational Utilization of Energy (LEERUE) established the Administration for Financing and Promoting Energy Efficiency acting as the EE Fund (EE Administration). It started its operation at the beginning of 2022 as an administrative body within the MoME but as a separate legal entity unlike the previous Budgetary Fund, which was just a budget line. The tasks of the EE Administration are to provide financial incentives for all sectors of energy consumption, with a focus on the building sector and particularly households. The beneficiaries of these incentives can be state institutions and organisations; municipalities; housing associations; households, etc.

Under the competencies of MoME is the implementation of various projects that contribute to achieving energy savings planned in NECP. In addition, MoME is responsible for the adoption of eco-design regulation and the Ministry of Interior and Foreign Trade is responsible for monitoring and inspecting of implementation of these regulations, while for the products directly put in use, the new market surveillance authorities should be introduced.

Adoption and implementation of regulation in accordance with EPBD requirements as well as for setting of minimum energy performance standards for buildings and setting of nearly zero energy building standards are in the jurisdiction of the Ministry of Construction, Transport and Infrastructure (MoCTI).

The implementation of this reform will be measured by following steps:

- 1. The EPBD is implemented: recast of minimum energy performance standards for non-residential buildings and setting nearly zero energy building standards for new buildings, issuing of EPC in line with EPBD; independent control systems for EPC and inspection reports for heating and cooling systems. (December 2025)*
- 2. Measurement control and verification systems in line with EED established; Consumption-based billing increased up to 40% comparing to the status in December 2023; Implementation of Eco-design regulation for solid fuel local space heaters and boilers through the establishment of effective infrastructure for market surveillance and initiation of a replacement scheme for domestic heating in line with the Air Quality Programme of the Republic of Serbia is implemented. (December 2026)*
- 3. The annual rate of building renovation is increased in accordance with the NECP, for residential buildings (1%) and public buildings (3%) and other non-residential buildings (2.3%). (June 2027)*

Subarea 7.2: DIGITALISATION

For the successful integration of the Republic of Serbia into the single European digital market, it is necessary to provide regulatory and institutional conditions for the accelerated development of the digital market in the Republic of Serbia, as well as to ensure that this development takes place in predictable conditions for all participants.

The reforms in this subarea encompass a diverse range of topics relevant to digital transformation, aimed at fostering digital connectivity, improvement of digital skills, securing wider availability of digital public services for citizens and businesses, improvement of digital identity and trust services, further strengthening of cyber resilience, development of artificial intelligence and digitalisation of transport services.

Reform 7.2.1. Development of a secure and sustainable digital infrastructure, including rural broadband and 5G roll-out

The Reform is comprised of two parts that equally impact digital transformation.

1. Improving the legal framework for faster and cost-efficient deployment of broadband communications networks, including rural areas

The main goal of this reform is the improvement of the legal framework in order to facilitate faster and cost-efficient deployment of very high capacity electronic communication networks, including fibre networks and 5G, in the whole territory of the Republic of Serbia.

The Republic of Serbia is already putting significant efforts into the construction of broadband communication infrastructure in rural areas. The Next Generation Broadband Connectivity for Rural Schools in White Zones project, under implementation within the context of the Western Balkans Investment Framework, will enable development of very high capacity broadband infrastructure in rural (white) zones. Schools will have very high capacity broadband connectivity (at least 1 Gbps), while neighbouring households will have broadband connectivity of at least 30 Mbps. So far, the mid-mile fibre network has been built in ~200 settlements and started in another ~150 settlements. Further efforts are necessary in the implementation of remaining part of phase 2 and preparation for and implementation of phase 3 project, which should include an additional ~850 settlements. Through the "Connected Schools" project which was finished in 2023 more than 3,800 elementary and secondary schools in the Republic of Serbia were covered by fast, reliable and safe fibre internet and in 1.843 larger schools wireless local area network has been installed.

Challenges: The Gigabit Infrastructure Act deals with cross-sector competences and does not only impose obligations for the electronic communications sector, but it also refers to a large number of subjects from other sectors and public authority levels, including energy, transport, communal services, local public authorities etc. The transposition of the Gigabit Infrastructure Act is a very complex task that requires the coordination and cooperation of competent institutions from different sectors and the adaptation of various measures to national circumstances. Cross-sectoral cooperation is necessary, both in the process of drafting the new Law on Broadband Infrastructure and in the process of adopting the secondary legislation and its implementation.

The stakeholders involved: The division of roles between sector regulators, ministries, public authorities and economic entities to whom the provisions of the new Law apply and their cooperation are key factors for the successful transposition and implementation of the new Law on Broadband Infrastructure.

The responsibilities: In the process of drafting the new Law on Broadband Communication Infrastructure and its implementation, besides the Ministry of Information and Telecommunications, at least representatives of the following relevant authorities to whom the provisions of the new Law will apply should participate: Ministry of Construction, Transport and Infrastructure, Ministry of Mining and Energy, Ministry of Environmental Protection, Ministry of State Administration and Local Self-Government, Republic Geodetic Authority, Agency for Business Registers, Republic Directorate for Property, relevant sector regulators and others.

The targeted final beneficiaries of the proposed reform are mainly operators of electronic communications networks, end users and citizens of the Republic of Serbia.

The implementation of this reform will be measured by following steps:

*1. Serbia is aligned with the Gigabit Infrastructure Act²³ through the adoption of the Law on Broadband Infrastructure by the National Parliament by **December 2025**.*

*2. The Law on Broadband Infrastructure is fully implemented, including the accompanying information system which is established and operational by **June 2027**.*

Implementation: To achieve full implementation of the Law on Broadband Infrastructure a single information system needs to be established to contain at least the following information:

²³ Regulation (EU) 2024/1309 of the European Parliament and of the Council of 29 April 2024 on measures to reduce the cost of deploying gigabit electronic communications networks, amending Regulation (EU) 2015/2120 and repealing Directive 2014/61/EU (Gigabit Infrastructure Act)

- on existing physical infrastructure of network operators and public authorities that own or control physical infrastructure that is suitable for deploying very high capacity electronic communication networks, including geo-referenced information on infrastructure location, type, purpose and available capacity;
- on all planned construction works carried out by network operators, including geo-referenced location information, as well as information on the type of works;
- on conditions and procedures for the issuance of all necessary permits for the installation of elements of electronic communication networks of very high capacity, including submission of requests for the issuance of permits, as well as their issuance.

For the implementation of "all in one place" through a single information system, existing electronic systems and databases (such as infrastructure cadastre and central register of integrated procedures) should be upgraded and connected in a common digital platform or through a common interface to save time and avoid duplication of costs.

2. *Roll-out of sustainable and secure 5G networks*

The main goal of this reform is deployment of sustainable and secure 5G networks in the whole territory of the Republic of Serbia.

Challenges: Further development of broadband communications networks in the rural areas is very important precondition for the roll-out of 5G networks in these areas. Different administrative procedures and conditions at different levels of public authority significantly complicate the deployment of very high capacity electronic communication networks and their harmonized on the national level is necessary for efficient 5G deployment.

Also, public authorities that own or control buildings and other assets that are not used for the installation of network elements, such as public lighting poles, traffic signs, traffic lights, billboards, public transport stations, play a key role in the installation of small area wireless access points which are necessary for the development of a 5G network.

The stakeholders involved include telecommunications operators, equipment manufacturers, regulatory bodies, standards organisations, industry groups and alliances, academia, consumers and businesses and local public administration.

The responsibilities: The Ministry of Information and Telecommunications is responsible for the implementation of the Law on electronic communications. The Regulatory Authority for Electronic Communications and Postal Services is responsible for radio frequency spectrum management and preparation and conducting the public auction procedure for issuing individual licenses for the use of the radio frequency spectrum.

The targeted final beneficiaries of the proposed reform are mainly operators of electronic communication networks and business entities. Also, citizens are interested in accessing very high capacity electronic communication networks, as they allow them to use advanced digital services, such as working from home, e-education, e-health and many more.

The implementation of this reform will be measured by following steps:

1. *The 5G Security bylaw is adopted by the Government (transposition of EU's EU Toolbox for 5G Security²⁴) by **December 2024**.*

2. *The 5G Security bylaw is fully implemented and 5G networks and services are rolled out to reach 40% of the households in the Republic of Serbia by **December 2027**.*

Implementation: The 5G Security bylaw will be brought to identify a set of measures that can mitigate the main cybersecurity risks of 5G networks, and to identify measures that should be prioritised in mitigation plans in order to ensure an adequate level of cybersecurity of 5G networks. In particular, powers should be given to national authorities to restrict, prohibit, and/or impose specific requirements and conditions, in accordance with a risk-based approach, for the supply, deployment, and operation of 5G network equipment.

²⁴ Commission Recommendation (EU) 2019/534 of 26 March 2019 on Cybersecurity of 5G networks

To initiate the roll-out of 5G networks, the first step is the adoption of the Bylaw on the minimum conditions for licensing the use of radio frequencies during 2024. This bylaw will contain minimal terms and conditions for the spectrum auction based on the Law on Electronic Communications that will enhance harmonisation with relevant EU regulations and the EU best practices. The next step is the preparation and implementation of the public auction process, which is expected to be completed in 2025.

Reform 7.2.2. Further digitalisation of public services and administrative procedures for businesses and citizens

The Reform is comprised of three parts that have a considerable impact on digital transformation.

1. Digital identity and trust services compliant with the EU Digital Identity Regulation and eIDAS Regulation

The proposed reform should lead to the full transposition and implementation of the new EU Digital Identity Framework in the Republic of Serbia, the main result of which will be the Digital Wallet. The accomplishment of the reform should establish a secure, interoperable, and user-friendly system of digital identities for citizens and residents in the Republic of Serbia.

Challenges: There are no identified significant challenges for the implementation of the proposed reform, but special attention should be given to:

- Upgrading or establishing the digital infrastructure needed to support the new digital identity framework requires investment and technical expertise;
- Ensuring compliance with the General Data Protection Regulation (GDPR) and other relevant privacy laws while implementing the digital identity framework;
- Encouraging widespread adoption among citizens and businesses requires clear communication of the benefits, as well as easy-to-use and accessible technologies.

Addressing these challenges requires the efforts of all stakeholders, including government bodies, the private sector and civil society. Success in implementing this reform will depend on effective collaboration, clear communication and a shared commitment to creating a secure, inclusive, and interoperable digital identity ecosystem.

The responsibilities: The Ministry of Information and Telecommunications is, among other things, responsible for performing activities in the field of information society. Alongside the Ministry, other government bodies that are executing e-government and digital society agenda are the Office for Information Technologies and eGovernment, the Ministry of Public Administration and Local-Self Government and the Public Policy Secretariat

The stakeholders involved: A wide range of stakeholders will be included in the process such as government bodies, the private sector, academia and NGOs.

The targeted final beneficiaries are:

- Businesses and SMEs as major beneficiaries. This reform should facilitate smoother transactions, reduce administrative hurdles, and open up new opportunities in the digital market. For businesses, this means increased competitiveness and the potential for innovation and growth.
- Citizens from having a secure and trusted digital identity. Such digital identity enables easier access to public and private services, improves the security of online transactions, and enhances the protection of personal data.
- Public sector entities including government agencies and public sector bodies benefit from the increased efficiency and reduced costs associated with digital processes. This reform should enable them to provide services more seamlessly and securely to citizens and businesses, improving public service delivery and citizen engagement.

Potential benefits could also be anticipated for financial institutions, healthcare providers, educational institutions, vulnerable groups, innovators and technology companies.

The implementation of this reform will be measured by following steps:

1. Compliance with the EU digital identity Regulation and eIDAS Regulation is achieved through the adoption of the amendments of the Law on Electronic Document, Electronic Identification and Trust Services in Electronic Business (or a new law depending on % of amendments) by the National Parliament, by **December 2025**.

2. Serbia has joined the EU Third Countries trusted list for the validation of electronic signatures as advanced electronic in the EU as a first step towards pursuing mutual recognition of qualified trust services by **December 2025**.

3 A Digital Identity Wallet is implemented, including the new EU Digital Identity Regulation; signing and implementation of the Mutual Recognition Agreement (MRA) of Trust Services with other partners of the Western Balkans; participation in the EU digital identity Wallet leading to the establishment of a Balkan Identity Wallet for cross-border interoperability of digital identities among Western Balkan partners, which will allow access to government services, by **December 2027**.

Implementation: In order to be aligned with the new EU Digital Identity Framework, Serbia needs to amend (or adopt new) Law on Electronic Document, Electronic Identification and Trust Services in Electronic Business and transpose Regulation (EU) No 910/2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC as regards establishing the European Digital Identity Framework.

To achieve compliance with the EU Digital Identity Framework the following steps should be made:

- 1) analysis of EU Digital Identity Framework;
- 2) forming the multistakeholder working group for drafting the Law on Electronic Document, Electronic Identification and Trust Services in Electronic Business;
- 3) conducting public consultations;
- 4) adopting the Law on Electronic Document, Electronic Identification and Trust Services in Electronic Business by the Government and the Parliament and entering into force

2. Improvement of availability of digital public services for businesses and citizens

The proposed reform should lead to an increased number of digitalised public services for businesses and citizens available on the government portal e-Uprava.

Challenges: In addition to requiring large investments, the optimization and digitalization of public services request good coordination and cooperation between different sectors and government levels. To prevent weak acceptance and resistance to new solutions and new ways of working, efforts must be made in change management and promotion. The relevance of services and their user-centred design, user involvement along with quality support and training offered, as well as promotional activities, can help mitigate these risks.

The stakeholders involved: Numerous stakeholders will be involved in the process, both from the public and private sectors, as well as from the civil sector.

The responsibilities will depend on the selected services, but the Office for Information Technologies and eGovernment and the Ministry of Information and Telecommunications will provide the necessary coordination and governance, as well as technical support.

The targeted final beneficiaries are businesses and citizens.

The implementation of this reform will be measured by following step:

1. At least 30 new business episodes for digital public services (20 for businesses (G2B) and 10 for citizens (G2C)) completed by **December 2027**.

Implementation: Public services and procedures will be thoroughly analysed and optimized before digitalization, in order to avoid the digitalisation of ineffective procedures. Selection criteria include services to be end-to-end as much as possible, supporting a complete transaction or even an entire life event, if possible. In some cases, legislative changes may be required and alignment with EU *acquis* will be ensured.

The first step in this process is the selection of services, based on analysis and communication with all interested parties. The following step is service design including optimization and necessary legislative changes if needed, and the next step is extensive testing. The plan is to introduce the first version of services as soon as possible and after user feedback, decisions will be made on the details and further evolution of the services and solutions.

3. Digitalisation of documents and procedures for spatial and urban planning

Proposed digital transformation reform in the field of spatial and urban planning will primarily include the creation of a spatial and urban planning information system – e-Space through which spatial and urban planning documents would be created electronically, documents and submissions would be exchanged in the procedures of preparation and monitoring of planning documents, all to shorten the deadlines for the preparation of planning documents, save costs and increasing the transparency of the process of preparation of planning documents.

Challenges: Since the traditional way of formulating plans is still present, it affects the efficiency of the planning process in terms of public inclusion and the quality of spatial and urban plans, i.e. their applicability in practice. Further challenges include the slowness in establishing a final comprehensive concept that would cover all aspects of the reform, financing the reform, creating user-friendly solutions, resistance to the implementation of digital services due to a lower level of digital literacy, willingness to share data etc.

The responsibilities: Agency for Spatial and Urban Planning of the Republic of Serbia is responsible for the implementation of the proposed reform.

The targeted final beneficiaries of the proposed reform are very wide and include both the public and private sectors, i.e. public authorities, public companies, business entities, citizens, interest groups, etc.

The implementation of this reform will be measured by following step:

*1. The framework for spatial and urban planning including digitalization of spatial and urban planning procedures (E-Space) is implemented by **December 2026**.*

Implementation: The e-Space information system will include solutions for the digitization of all spatial and urban planning documents and related procedures prescribed by the Law on Planning and Construction.

Reform 7.2.3. Strengthening adult education, training and relevant up-skilling opportunities of digital skills and literacy

Challenges: Main identified challenges are related to finding and retaining staff who are not only technologically adept, but also capable of teaching and assisting others. This includes training the trainers, which adds another layer of complexity and additional costs. Also, developing a curriculum that meets the various needs of the community, from basic digital literacy to more advanced skills, requires expertise and understanding of the digital landscape.

The responsibilities: This reform will be implemented by the Ministry of Information and Telecommunications, which is a competent authority for information society and, among other duties, is responsible for preparing and implementing digital skills strategy and action plan.

The stakeholders involved are state bodies and local administrations, educational institutions, NGOs, international organizations and local community organizations. The collaboration among these diverse stakeholders is crucial for the success and sustainability of digital corners. Their combined efforts ensure that the benefits of digital literacy and access to technology are widely distributed, contributing to educational opportunities, economic development, and social inclusion.

The targeted final beneficiaries of the proposed reform are adult residents of areas where digital corners will be established, especially in underserved or rural locations, who benefit from gaining access to digital technologies, internet connectivity and training opportunities. The education of adults, including the elderly, benefits from digital literacy programs that aim to improve skills for personal development and understanding of digital platforms.

The implementation of this reform will be measured by following step:

1. *Digital Corners (adult digital skills training centers) are established and operative in 50+ municipalities by **June 2026**.*

Implementation: Digital Corners will be established as a part of an initiative aimed at improving digital literacy and providing access to digital technologies to the adult population in more than 50 municipalities in the Republic of Serbia. The purpose is to enable adult citizens to learn new digital skills, access online services, and participate in the digital economy, thus bridging the digital divide.

The introduction of digital corners across Serbia is expected to have a significant impact on the local communities by:

- Enhancing educational opportunities and fostering lifelong learning;
- Supporting economic development by equipping citizens with skills relevant to the digital economy, including basic digital literacy, cybersecurity awareness, data literacy, and the use of digital tools and platforms;
- Provide adults with the skills needed for new job opportunities in the digital economy, facilitating career changes and advancement;
- Improving access to e-government and online services, thus increasing civil participation;
- Promoting inclusion by ensuring that digital opportunities are accessible to marginalized and rural populations.

Reform 7.2.4. Setting-up a comprehensive framework for cyber resilience and artificial intelligence

The Reform is comprised of two parts with equal impact on digital transformation.

1. *Improving the legal framework for cybersecurity (introducing requirements of NIS2 Directive and strengthening relevant institutions)*

In a changing digital environment, it is imperative that the government, businesses, and organizations work together on developing a regulatory framework that enhances ICT systems and networks in a way that enables the safe and uninterrupted storage of data and provision of services, as well as the conduct of other processes. With the constant increase in the use of ICT in everyday life, as well as the increase in the number of services offered to citizens electronically, it is necessary to timely respond to challenges and follow the dynamic development of the sector with the obligation of continuous alignment and monitoring of the EU regulations in this area.

Main objectives of the proposed reform are:

- Aligning with the new EU cybersecurity *acquis*;
- Imposing security requirements for companies in critical sectors, mandating them to implement appropriate technical and organizational measures to manage cybersecurity risks and to report significant incidents to national authorities;
- Protect critical infrastructure, and ensure the resilience and continuity of critical services in the face of growing and evolving cyber threats;
- Taking appropriate and proportionate technical and organizational measures to manage the risks posed to the security of network and information systems they use in their operations
- Strengthening capacities of cyber security authorities;

Challenges: The main challenges for the implementation of the proposed cybersecurity reform could potentially be:

- Sufficient resources needed for implementation, including funding, technical expertise, and personnel;
- The rapid evolution of cybersecurity threats and technologies that requires entities to continuously adapt and update their cybersecurity measures, which can be technically challenging and resource-intensive;
- The need to raise awareness about the requirements and to provide training for entities affected by it. This includes understanding the risks, the necessary security measures, and compliance obligations;

- Balancing the need for sharing information about cybersecurity threats and incidents with the need to protect personal data and privacy.

Developing effective mechanisms for monitoring compliance and enforcing the law's provisions across a diverse and dynamic digital landscape is challenging. This includes establishing clear criteria for audits, reporting and penalties.

The responsibilities: The Ministry of Information and Telecommunications is a competent authority for cybersecurity in the Republic of Serbia. In accordance with the Law on Ministries, the Ministry is authorised to prepare regulations in the field of information security.

The Regulatory Body for Electronic Communications and Postal Services is responsible for the activities of the National CERT. The National CERT collects and exchanges information on the risks to the ICT systems security, and the events that jeopardize the ICT systems security, and it shall inform, provide support, warn and advise, in this regard the persons who manage ICT systems in the Republic of Serbia, as well as the public.

The CERT of public authorities, which is part of the Office for Information Technologies and eGovernment, performs the tasks related to the protection against incidents in the ICT systems of government authorities.

The stakeholders involved: a wide range of other interested parties will be involved in the implementation of this reform, namely government bodies, the private sector, the academic community and non-governmental organizations.

The targeted final beneficiaries of the proposed reform are:

- critical infrastructure entities and organizations in sectors like energy, transportation, banking, health care, and digital infrastructure;
- digital service providers, including companies providing key digital services, such as cloud computing, online marketplaces, and search engines;
- public administration, including local, regional, and national government entities responsible for providing public services;
- citizens through the protection of essential services and personal data.

The implementation of this reform will be measured by following steps:

- 1. The Law on Information Security is adopted by the Parliament and in full alignment with the NIS2 Directive by **December 2025**.*
- 2. The Office for Information Security (within the Office for IT and e-Government) is operational (sufficiently staffed with at least 20 employees, equipped with supervisory powers, performing supervisory checks) by **December 2025**.*
- 3. The Office for Information Security is established as a separate institution/agency by **June 2027**.*
- 4. List of entities in the scope of the national law corresponding to the NIS2 Directive is finalized and Frameworks introduced by NIS2 alignment (CVD framework, crisis management framework), are in place and use by **December 2025**.*
- 5. National and governmental CERTs are operational in line with NIS2 Directive requirements, nCERT reaching at least status 'certified' and govCERT reaching at least status 'accredited' on TF CSIRT-Trusted Introducer by **December 2026**.*

Implementation:

In order to achieve compliance with the EU Cyber Security *acquis*, the following steps should be made:

- 1) analysis of EU Cybersecurity Framework;
- 2) forming of multistakeholder working group for drafting Law on Information Security;
- 3) conducting public consultations;
- 4) adopting the proposal of the law by the Government;
- 5) law adopting by Parliament and entering into force;

- 6) the establishment of the Office for Cybersecurity to be fully operational;
- 7) finalisation of the list of entities in scope of the national law corresponding to the NIS2 Directive and entry into force and their use of frameworks introduced by NIS2 alignment - CVD framework, crisis management framework (Q4 2025);
- 8) national and governmental CERTs are operational in line with NIS2 requirements, nCERT reaching at least status 'certified' and govCERT reaching at least status 'accredited' on TF CSIRT- Trusted Introducer.

The Office for Cybersecurity, which will be established as a separate institution/agency, aims to unite existing resources in the field of information security and thereby improve the response of the Republic of Serbia to challenges in the field of information security. It is planned to perform coordination and management tasks in response to incidents in ICT systems of special importance that significantly threaten information security, in order to timely and adequately respond to incidents in these systems. The Office for Information Security will be required to respond urgently and without delay and to actively participate in resolving incidents that can compromise the security of ICT systems of special importance, and threaten the functioning of the state, economy, and citizens.

In addition, the Office for Information Security should perform the duties of the National CERT, the CERT of the electronic governance network and act as a single point of contact in international cooperation, prescribe minimum protection measures for ICT systems of bodies, and in cooperation with competent bodies and other entities from the public, academic, economic, non-governmental, and private sectors, participate in the development and implementation of training programs and professional development for individuals working on information security tasks in bodies and other tasks in accordance with the law.

2. Setting up the legal framework for Artificial Intelligence

Challenges: The main challenges for the implementation of the proposed Artificial Intelligence reform could potentially be:

- Ensuring compliance with ethical standards in artificial intelligence development and use.
- Addressing potential job displacement due to automation and artificial intelligence adoption.
- Managing cybersecurity risks associated with increased reliance on artificial intelligence technologies.

The responsibilities:

- The Ministry of Science, Technological Development and Innovation is responsible for proposing and implementing policies and programs in the field of artificial intelligence.
- The Office for Information Technologies and eGovernment is responsible for preparing data for the development of artificial intelligence systems.
- Regulatory bodies tasked with monitoring and enforcing compliance with the Law on Artificial Intelligence
- Research institutions and universities providing expertise in artificial intelligence development and implementation.

The stakeholders involved include industry, academia, and civil society to ensure broad understanding and support for artificial intelligence regulations.

The targeted final beneficiaries include private sector companies leveraging artificial intelligence for innovation and competitiveness and society benefiting from improved services, products, and economic growth driven by artificial intelligence advancements.

The implementation of this reform will be measured by following steps:

1. *The Law on Artificial Intelligence is adopted, based on a high-risk approach, and with the necessary enforcement structures in place by **December 2025**.*
2. *The adopted Law on Artificial Intelligence is implemented by **December 2027**.*

*3. National supercomputing platform expanded to at least 380 GPUs by **December 2026.***

Implementation: Adoption of a comprehensive legal framework envisages regulating the development, deployment, and use of artificial intelligence technologies in the country. With its high-risk approach, the Law on Artificial Intelligence will aim to strike a balance between fostering innovation and ensuring the safe and ethical use of artificial intelligence technologies. By establishing clear regulatory requirements and robust enforcement structures, the law shall protect individuals and society from potential harm while promoting trust and accountability in developing and deploying AI systems.

Implementation of the provisions of the Law on Artificial Intelligence includes developing the technological and organizational infrastructure needed for effective monitoring, enforcement, and compliance mechanisms.

The expansion of the national supercomputing platform to at least 380 GPUs aims to enhance computational capabilities for artificial intelligence research and development and involves strategic investments in hardware, software, human capital, and collaborative frameworks.

By implementing these mechanisms, the provisions of the Law on Artificial Intelligence can be effectively enforced, ensuring that artificial intelligence technologies are developed and deployed in a manner that is ethical, lawful, and beneficial to society.

Reform 7.2.5. Deployment of the Intelligent Transport System and e-freight

Intelligent Transport Systems (ITS) refer to a diverse set of advanced technologies and communication systems that are integrated into transport infrastructure and vehicles to improve safety, efficiency and overall management of transport networks. The primary goal of ITS is to enhance the effectiveness of transport systems and make them more safe, sustainable, reliable and user-friendly.

Challenges:

Comparing the data from two years ago with the current situation, the Republic of Serbia is experiencing an 86% increase in transit flows and a 56% increase in exports. These increases are directly related to the improvement of road transport infrastructure and foreign direct investments, which have significantly boosted the export activities of the Serbian economy, predominantly reliant on road transport capacities.

However, the growth in international road transport flows has not been matched by the development of border crossing infrastructure. Consequently, there has been an increase in waiting times at border crossings, which directly jeopardizes Serbian exporters, foreign investments, income from road transit traffic, and Serbian international road transport hauliers. Therefore, it is imperative to urgently improve the border crossings located on transit corridors (Preševo, Gradina, Horgoš and Batrovci).

The above represents the first and most urgent measure to alleviate the current situation and prevent the negative trend of congestion at border crossings, which would otherwise cause lasting damage to the Serbian economy. Furthermore, it is planned to expand existing border crossings, construct new ones, and introduce digitization in all procedures related to the international road transport of passengers and goods.

We expect to have a safer, more sustainable, reliable, and user-friendly transport system. In Serbia, the coordinated implementation of Intelligent Transport Systems can lead to more modern, safe, and efficient transport services, benefiting both transport users and operators. As the country continues to develop and integrate with the European transport network, investing in ITS is essential for staying competitive, improving the quality of life and achieving sustainable economic growth.

Finally, we would like to underline that while the deployment of e-freight measures is crucial, it is not feasible to address the border crossing issues without involving third parties, particularly neighboring countries such as Hungary and the Republic of Croatia.

The legal act that harmonizes Serbian legislation with Regulation (EU) 2020/1056 on electronic freight transport information aims to establish electronic exchange of freight information and must include provisions for preparing the legal framework necessary to establish a system that involves several international actors. Namely, according to the document Deployment of e-freight in the Western Balkans and implementation of the Regulation (EU) 2020/1056 on electronic freight transport information prepared by the Transport Community, an approach is foreseen that enables the establishment the e-Freight/e-CMR pilot project of three

WB6 participants (Serbia, Montenegro and North Macedonia), while after that the project is foreseen to be extended to other WB6 participants and in the last iteration by 2030 the connection with the EU, it is necessary to harmonize at least with the states that are planned as participants in the Pilot Project.

Bearing in mind that the Pilot Project according to the Transport Community document was supposed to start in 2023, but it has not yet started, it is considered that delays in its commencement is the biggest challenge.

Regarding rail transport, it is not possible to fully align with the Interoperability Directive (EU 2016/797) until Serbia enters the European Union, given that this directive implies the competences of the EU Railway Agency (ERA) which refers only to EU member states, and therefore it is not possible to apply. In this regard, it cannot be confirmed that full alignment is possible until December 2026.

Concerning the transfer of vehicle registration data to ERA's European Vehicle Register (EVR), The Transport Community is working to ensure that the entire region of the Western Balkans switches from NVR (National Vehicle Register) to EVR. At this moment, it cannot be confirmed that this process will be completed by the stated deadline (December 2026).

In relation to the alignment with Regulation (EU) 2020/1056 on electronic freight transport in the rail transport sector, the Pilot Project of the Transport Community has not yet started, and in the current plan the railway is not included in this phase of the project implementation. After the completion of the Pilot Project, guidelines are expected on how to adopt and implement the Regulation (EU) 2020/1056 on electronic freight transport information.

The responsibilities: In the Republic of Serbia, the competent authorities are the Ministry of Finance (Customs Administration), the Ministry of Internal Affairs (border police), border crossing inspections (phytosanitary, veterinary) and the Ministry of Construction, Transport and Infrastructure. On the international level, it is the Transport Community and Working Group on Road Transport of the United Nations Economic Commission for Europe (UNECE) in charge of the e-CMR convention.

The targeted final beneficiaries: transport companies, customs and users of transport services will benefit directly from the following lower costs (handling costs can be up to three to four times less expensive, faster administration with reduced data entry, no paper handling, no fax/scan/letter exchanges, no paper archiving, faster invoicing, reduction of delivery and reception discrepancies) and greater transparency (data accuracy, control and monitoring of the shipment and real-time access to the information and proof of pick-up and delivery).

The implementation of this reform will be measured by following steps:

1. *The ITS frameworks and standards for road and rail are implemented by **December 2026**.*

ITS Directive 2010/40 has been partially transposed. ITS Strategy is being finalised with World Bank support under TTF1. The Serbian Institute for standardisation has published more than 200 Serbian ITS standards which are identical with CEN published documents adopted by CEN/TC 278 (ISS is a full member of CEN/CENELEC and ISO).

Necessary steps for further developments include:

- ITS strategy and/or action plans for ITS deployment is adopted/updated;
- ITS Directive 2023/2661 amending ITS Directive 2010/40 is transposed into national legislation;
- Delegated Regulation (EU) 2015/962 – EU-wide real-time traffic information services (RTTI) is transposed into national legislation;
- Delegated Regulation (EU) 2022/670 – EU-wide real-time traffic information services (RTTI) is transposed into national legislation;
- Delegated Regulation (EU) 2024/490 -provision of EU-wide multimodal travel information services is transposed into national legislation.
- Interoperability Directive 2016/797 amending Directive 2008/57/EC into the new Railway Law or new Railway Safety Law is transposed into national legislation;
- All TSI for rail aligned with and published;
- Vehicle registration data to ERA's European Vehicle Register (EVR) transferred.

2. *Alignment is achieved with Regulation (EU) 2020/1056 on electronic freight transport information (eFTI) by **June 2026**.*

Regulation (EU) 2020/10563 on electronic freight transport information aims to establish the electronic exchange of freight information and create incentives for dematerialised transport documents to be used between businesses and authorities. eFTI Regulation provides that by August 2025 all competent authorities in the EU will be required to accept freight transport information provided electronically on certified platforms, whenever companies choose to use such format to provide information as proof of compliance with legislative requirements.

eFTI platform means a solution that is based on information and communication technology (ICT), such as an operating system, an operating environment, or a database, intended to be used to process eFTI between businesses and authorities (B2A). The approach is decentralized and will be implemented through setting certain standards that participating stakeholders will have to follow. These standards will be developed gradually – common data set, then eFTI platforms and service providers requirements, following with rules of certification for eFTI platforms and service providers as only certified parties will be a part of this network. It will be necessary to develop / modify platforms according to the specifications and requirements that are being developed. Only the certified platforms will participate in this network.

eFTI specifications and certification rules are planned to be introduced in the EU by August 2023 and March 2024 respectively.

By the harmonisation of the Serbian national legislation with eFTI Regulation, the specific answers should be given in order to finalise the preparation for the participation in the Pilot project prepared to be launch by the Transport Community (Deployment of e-freight in the Western Balkans and implementation of the Regulation (EU) 2020/1056 on electronic freight transport information).

Mentioned legislation should include requirements / specifications for the acceptance of electronic freight transport information, as well as explicitly define data elements / specific information that is checked by the authorities during inspections.

3. *The road international convention (eCMR) needed to deploy eFTI is ratified by **December 2026**.*

The International CMR Convention was expanded through the "Additional Protocol to the Convention on the Contract for the International Carriage of Goods by Road (CMR) on the Electronic Waybill" and forms the legal basis for the electronic exchange of data between the signatory countries. At this stage, through the e-CMR this multilateral agreement will be incorporated into Serbian legislation framework in this area.

4. *Traffic data collection systems and road user information systems deployed and operational by **December 2026**.*

A regional traffic management control centre has been constructed in Niš. In addition, there are in operation four operating control centres in Belgrade, Takovo, Niš-Dimitrovgrad and Grdelička gorge, and two tunnel management centres in Brančić and Bančarevo. Approximately 10 million USD is allocated for installing ITS devices on a section of Corridor X. The implementation of the Vehicle to Infrastructure system (V2X) is under construction on the E761 highway (Moravian Corridor).

Regarding the rail transport and harmonization with the Interoperability Directive 2016/797 amending Directive 2008/57/EC further harmonization is achieved by the adoption of the new Law on interoperability of the Rail System ("Official Gazette of the RS", No. 62/23) in which entered into force in August 2023.

Serbian regulatory framework for railways has been fully harmonized with the EU *acquis* i.e. Regulation (EC) no. 1371/2007 of the European Parliament and the Council of October 23, 2007 on the rights and obligations of passengers in rail transport, in the area of rail passenger rights. It is done through the Law on Amendments to the Law on Contracts for Transportation in Railway Traffic from 2021 and the Law on Amendments to the Law on Railways which was adopted in 2023. Harmonization with the new Regulation (EU) 2021/782 on rail passengers' rights and obligations, is planned with the adoption of the new Law on Railways, which is, in accordance with the NPAA, planned by the end of 2024.

Concerning the alignment with TSI and publishing of TSI, following the Law on Interoperability of Railway System, the Directorate for Railways publishes TSIs in the Official Gazette of the Republic of Serbia. TSIs published on the website of the Directorate shall apply until they are published in the Official Gazette of the

Republic of Serbia in accordance with the mentioned law. Concerning this, working versions of TSI's for all subsystems, i.e. translations of EU regulations and decisions on technical specifications for interoperability were published on 28 May 2019 on the website of the Directorate for Railways. It should be noted that translations of these EU regulations have undergone technical review, i.e. have been reviewed by the technical reviewers from the Directorate for Railways, which ensures a sufficient level of quality of these texts for use. However, to fulfil the legal and obligation to publish the TSIs in the Official Gazette of the Republic of Serbia, these texts must undergo two more phases: analysis of the reviewed translations and legal technical editing. The analysis of the reviewed translations, i.e. confirming and harmonisation of terminology, is currently ongoing.

8 POLICY AREA 3: HUMAN CAPITAL

Subarea 8.1: LABOR MARKET

Reform 8.1.1: Improve labour market conditions including through ensuring adequate financial and institutional resources and capacities for activation in employment and social policies

Challenges: The Reform Agenda identifies development of the decision-making knowledge base and development of necessary legislature as a significant challenge for improving labour market conditions and facilitating further investment. In accordance with Serbia's commitments stated within the Action Plan for Chapter 19: Social Policy and Employment, the Reform Agenda will stimulate the process of adopting the Law on Traineeship, as one of fundamental legal acts enabling smoother transition of young people from education to employment, by making clear how young people can gain practical experience and specific skills relevant to the modern labour market. This Law will provide a traineeship framework of good quality, predictable and transparent working conditions in accordance with the Council Recommendation on a Quality Framework for Traineeships & Directive (EU) 2019/1152 of the European Parliament and of the Council, as well as with other relevant EU legislation. Achieving this requires systematic review of potential services available to young people, programs providing practically applicable skills, comprehensive analysis of available resources to stimulate entry into the labour market and extensive consultations with both potential trainees as well as companies who could engage them. Building upon and alongside IPA 2022 twinning support, it will be necessary to gain deeper insight into the European legal standard and best practices. Attention is also required to informing employers and employee representatives about the new provisions, to ensure uniform and consistent application and standardized practices.

Implementing the Youth Guarantee will be stimulated to increase the availability of subsidized offers within four months of registering. Underpinning successful implementation of the Guarantee is the need to develop deeper ties with young people that are not in employment, education, or training to ensure they understand and feel the benefits of utilising the National Employment Service's array of options to eventually find employment. The NES, the ministry in charge of employment, the ministry in charge of youth and other contributing actors have developed a revamped strategic framework to enable outreach measures and must ensure continued participation of national and local partners for actual achievement. Key actors must remain mindful of and gain further insight to the gender, ethnic, and regional disparities in Serbia's youth population,²⁵ tailoring measures to facilitate more equitable results towards gaining employment as well as more equitable outcomes in the actual workplace, reducing stereotyping and discrimination. If proper outreach is made possible, there is significant work ahead to actually provide the necessary education, employment, and training. According to the Youth Guarantee Implementation Plan, there are three primary challenges to realise accelerated development of offers. The first is coverage. Only 12.8% of the total number of persons registered in the NES had access to active labour market policies, due to limited funding. Serbia is currently only able to invest approximately 15% of the National Employment Service's budget to active labour market policies, in great part due to the need to support the unemployed through benefits, currently amounting to 60% of its budget. The second challenge is boosting the effectiveness of policies to reach EU standards. The third

²⁵ Gender disparities in the NEET rate remain notable, with the latest 2023 figures demonstrating that the NEET rate for women is 18,6% higher than for men in the 15 to 24 age range - <https://data.stat.gov.rs/Home/Result/240003020301?languageCode=sr-Cyrl>.

challenge is the application of public procurement rules when contracting trainings for the labour market. These rules are complex and slow down the organization and implementation of knowledge acquisition and skills development programs.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities: The legal reforms necessary for human capital development will be spearheaded by the ministry in charge of labour and employment, in accordance with its responsibilities elaborated in the Action Plan for Chapter 19: Social Policy and Employment and the Law on Ministries. The required consultative process must be wide-ranging, including representatives of all levels of government, economic and social partners, relevant bodies representing civil society, universities, schools, and research institutions.

Further development of the Youth Guarantee will be done with the ministry in charge of labour and employment and the National Employment Services as final beneficiaries, likewise engaging institutions engaged as part of the Coordinating Body for Developing and Implementing the Youth Guarantee Implementation Plan, as well as other institutions at the national, regional, and local level. Specific stakeholders in the private sector and education/training providers need to continue their engagement towards providing quality offers, along with representatives of partners, civil society, and academia.

The implementation of this reform will be measured by following steps:

1. *Law on Traineeship adopted and entered into force and aligned with the quality framework and other relevant EU standards in the field of labor (by December 2027);*
2. *30% of persons not in employment, education, or trainings (NEETs), out of which at least 50% of women, registered in the Youth Guarantee (by December 2027);*
3. *30% of young people, out of which at least 50% of women and at least 3% of Roma, exit the Youth Guarantee into employment, continued education/training, an apprenticeship or a traineeship within four months of joining the Youth Guarantee program (by December 2027).*

Reform 8.1.2: Implement training and skill development programs in critical sectors such as education of teachers to proactively address the core factors impacting workforce proficiency and retention in these fields

Challenges: The Education Development Strategy, valid until 2030, comprehensively tackles the issues of engaging teachers, developing their capacities, and retaining them within the education system. The main challenges identified in this field are the need to improve the initial education of teachers, ensuring their continuous development, providing the necessary resources to ensure their engagement, as well as ensuring the appropriate recognition of teachers in society and the education system. Serbia has made significant advancements thus far, developing a Catalogue of Continuous Professional Development of Teachers, accrediting and implementing trainings, as well as developing a new system of professional advancement of teachers. However, as the Economic Reform Programme recognises, Serbia requires more teachers with sufficient capacities in its schools, especially when it comes to teaching of physics, chemistry, and biology to develop students in a manner that helps their position in the modern labour market. The Reform Agenda offers an incentive to overcome these issues, as it would stimulate the implementation of short programmes enabling graduates of the sciences and engineering disciplines relevant to school subjects where there are not enough teachers to develop the knowledge and skills necessary to work with children in classroom settings and accredit them to be able to find employment as teachers.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities: These programmes will be realised in 8 state-funded Higher Education Institutions, selected taking into account their capacities and their ability to fully cover the country's needs. The implementation plan for this reform is contained in the Action Plan for the Realisation of the Strategy for Development of Education in Serbia by 2030 under the jurisdiction of the ministry in charge of education.

The implementation of this reform will be measured by following step:

1. *Short programs (60 ESPB) for Psychological-Pedagogical Methodological (PPM) skills are implemented at 8 state-founded Higher Education Institutions and first cohort of students is certified (by June 2027).*

Subarea 8.2: EDUCATION AND SKILLS

Reform 8.2.1: The quality of teaching and learning, equity and accessibility at all levels of education is improved

Challenges: The Reform Agenda is set out to incentivise development of pre-school education in Serbia. Notable recent advancements have been made recently, like amending The Law on Pre-school Education in 2021, but Serbia has committed to further improvements, recognizing a number of challenges. The Strategy for the Development of Education identifies lacking infrastructure as a challenge, dedicating Specific Objective 1.9. to analyzing gaps, amending plans and procedures for the institutional network, and funding the construction and renovation of facilities. The Strategy states that at least 6,740 children whose parents applied for places in pre-school were rejected due to insufficient capacities. Remediating this problem and developing pre-school education is not just a challenge of infrastructure but also one of developing capacities of education professionals. Furthermore, a key challenge for this reform is communicating the benefits and opportunities early childhood education brings to children, parents, and society. Pre-school education is still often considered, “a babysitting system” rather than a driver of education. There are notable regional disparities in all of these challenges, especially in local self-government capacity to administer education policy and to engage marginalized communities. Lastly, the Strategy identifies the need to further improve and diversify pre-school education programmes, especially in terms of ensuring tailor-made support to local self-governments and local policies.

Career guidance and counselling, as well as professional orientation have been identified in the Serbian strategic framework as means of overcoming the problem of transition from education to employment. Serbia has made significant progress in standardising career guidance and counselling as the ministry in charge of education adopted the Rulebook on Standards of Career Guidance and Counseling Services and the Council for the National Qualifications Framework adopted the Recommendation for Implementation of the Plan for the Implementation of Career Guidance and Counseling Service Standards in 2019. While these documents have provided the legal and procedural basis necessary for further implementation, the COVID-19 pandemic disrupted the planned dynamic of practical work with potential provisioners, as evidenced by the implementation report of the Qualifications Agency.²⁶ Serbia has continued work on establishing the system, accrediting a total of 13 training programmes in 2022 alone, but requires further support to deliver capacity building activities and accredit provisioners in schools.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities: Implementing reforms in accordance with the Strategy for the Development of Education in Serbia by 2030 and its corresponding Action Plan in pre-school education will be a joint effort of the ministry in charge of education and local self-government units (which by law have jurisdiction over pre-school institutions), in association with national, regional, and local bodies dealing with public investment. Civil society and academia will be engaged in developing inclusive and sustainable solutions.

Activities of career guidance and counselling, and professional orientation require a wide network of partners, engaging primary and secondary schools, the ministry in charge of education, the Office for Dual Education and the National Qualifications Framework, Sectoral Councils, the Council for the National Framework of Qualifications, Publicly Recognised Organisers of Adult Education, and the private sector. All of these actors have to work together to ensure standards are properly understood, developed through additional education and training, and are verifiable as to enable certification for provisioners in schools.

The implementation of this reform will be measured by following steps:

1. *At least 38% of children aged 6 months to 3 years (participate in pre-school education (by June 2026, as projected considering an ambitious yet realistic increase rate);*
2. *At least 80 % of children aged 3 to 5,5 years enrolled in pre-primary education (by June 2026, as projected considering an ambitious yet realistic increase rate);*

²⁶ <https://azk.gov.rs/dokument.php?tip=1&token=4n1548rao84kk4.pdf>

3. *93% of primary (1133 schools in 2023) and secondary (513 in 2023) schools have at least one professional certified for career guidance and professional orientation (by December 2027 – academic year 2027/2028 - as projected considering an ambitious yet realistic increase rate, the proposed target is not 1000% since some of the smaller schools may find it challenging to fulfil this target before the deadline).*

Reform 8.2.2: Reduce the skills mismatch on the labour market and facilitate school-to-work transitions, including by stepping up further VET, including dual VET, strengthening adult education, training, and relevant up-skilling

Challenges: This reform is envisaged to connect and synergise development of primary, secondary general education, vocational education and training (including dual VET), higher education, and adult education to facilitate students gaining knowledge, skills and attitudes to thrive on labour markets, ensuring a lifelong learning perspective. This necessitates fostering an accessible, inclusive, and equitable education system to ensure students at risk of not furthering their education are supported. The Strategy for the Development of Education identifies a number of issues including the need to develop mechanisms of identifying students at risk, training teachers to recognize risk factors and respond accordingly, developing financial and other incentives for students to continue their education, as well as promoting an intersectional approach to early intervention.

Qualification standards are to be applied consistently and throughout all levels of education. Fully applying standards requires further development of study programmes, which in turn necessitates resolving dialogues with academia, the private sector, and within institutions to ensure all parties understand and accept the need to integrate standards across teaching and learning. The need to coordinate with the private sector is especially prominent in practically-minded (dual) vocational education and training, where companies need to accommodate and verify the learning of students engaged in on-the-job training and education.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities: Based on measures of the Action Plan for the Realisation of the Strategy for Development of Education in Serbia by 2030, the ministry in charge of education and the Office for Dual Education and the National Qualifications Framework will coordinate efforts within this reform, in association with the Institute for the Improvement of Education, the Institute for Evaluation of Education Quality, the Agency for Qualifications, the Council for the National Qualifications Framework, social and economic partners, the private sector, civil society, media, and academia.

The implementation of this reform will be measured by following steps:

1. *Transition rates from elementary to secondary education increased to 99% and completion rates of secondary students increased to 93%, as projected considering an ambitious yet realistic increase rate. Specific targets for women and students with disabilities (students with individual education plans) (by June 2026);*
2. *7000 adults, out of which at least 50% are women, each year obtain an official document (certificate of an appropriate type) through the system of informal education at PROAE (publicly recognized organizer of adult education) and 3000 adults each year complete short cycles at the higher education institutions (maximum projected capacity of PROAEs, by December 2026);*
3. *All offered VET profiles in secondary education are based on qualification standards (by December 2026);*
4. *At least 15% of students follow secondary dual education and at least 5% of students in non-dual VET education follow a considerable (at least 25% of the programme duration) on-the-job training/internship in private or public companies and institutions (by June 2027);*
5. *A total of 60 qualification standards in higher education adopted and 5 higher education study programmes based on new standards are accredited (by December 2027, as projected considering an ambitious yet realistic increase rate).*

9 POLICY AREA 4: FUNDAMENTALS

Subarea 9.1: DEMOCRACY

Reform 9.1.1. Prepare a Roadmap/Plan and address recommendations of OSCE/ODIHR and Council of Europe bodies on the electoral framework

The Republic of Serbia simultaneously held extraordinary parliamentary elections and municipal elections in several key cities and municipalities, including the capital, Belgrade, on December 17, 2023. These elections were followed by a round of local elections in 60 municipalities. All these elections represent an important democratic exercise, essential for the stability and continuity of Serbian democratic institutions. Main aim of both the Parliament and the Government is to address all ODIHR recommendations, placing particular focus to outstanding recommendations. From the perspective of the Reform Agenda additionally contribute to addressing one of the key objectives stipulated in the article 3 of the Regulation on Growth Facility to further strengthen the fundamentals of the enlargement process, including the rule of law and fundamental rights, the functioning of democratic institutions, including at regional and local level and including de-polarisation.

Challenges:

The integrity of elections is of great importance. Ensuring public trust, proactively addressing concerns, maintaining transparent processes, and providing up-to-date information are vital components in upholding the legitimacy and success of the electoral process.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

Democracy thrives on the confidence of its citizens in the fairness and accuracy of its electoral systems and safeguarding these principles against any form of misinformation is a responsibility of the highest order. Therefore, the Parliament has become fora for consultations with all Parliamentary political groups on the implementation of ODIHR recommendations. The Parliament has included relevant civil society organizations in this consultative process. Thus, the cooperation between the Government and the Parliament should increase transparency and inclusiveness, and ensure efficient implementation of ODIHR recommendations.

To effectively address recommendations outlined in this and prior ODIHR election observation reports, necessary legislative amendments should be initiated well in advance of the next elections through an inclusive consultative process built upon a broad political consensus.

The implementation of this reform will be measured by following steps:

First composite step due by December 2024 (subject to ODIHR assessment as the verification mechanism),

- *WG composed in accordance with the ODIHR recommendation. This would mean inter-agency Working Group on Co-ordination and Follow-up of the Implementation of Recommendations for the Improvement of the Electoral Process should act in full transparency, with the inclusion of relevant stakeholders, such as civil society organizations.*
- *A meaningful audit of voter register completed in accordance with ODIHR recommendations. This step means establishment of the Commission which will oversee and control voters register. The Commission should include representatives of opposition, as well as relevant civil society organizations. The implementation of this recommendation should be recognized/verified by ODIHR.*
- *REM Council is re-elected (in line with the Law on electronic media) in a transparent and inclusive process. Clear explanation of this step is given in the relevant law.*

Second composite step due by December 2025.

- *Relevant legislation to address ODIHR and Council of Europe key recommendations, revised and adopted. Indicative list of laws subject to final approval of the WG include amendments to the following laws: Law on the Election of Members of Parliament, Law on Local Elections, Law on the Constitutional Court, Law on the Prevention of Corruption, and the Law on Financing Political Activities.*
- *Improved capacities of Republic Electoral Commission and granting it its own secretariat. Achieving this step would mean Secretariat established by the decision of the National Assembly of the Republic of Serbia.*

Subarea 9.2: FUNDAMENTAL RIGHTS

Reform 9.2.1. Enhance fundamental rights protection of vulnerable individuals and persons belonging to national minorities

Step 1 - The legislation foreseen following the adoption of action plans on gender-based violence, de-institutionalisation and national minorities is prepared and adopted (following transparent and inclusive consultations in Serbia and with the Commission, and in line with the EU acquis and European and UN standards) (December 2025).

Challenges:

When it comes to the laws under the competences of the Ministry of Justice, the following dynamic is planned: Criminal Code, Criminal Procedure Code, Law on Prevention of Domestic Violence, Law on Juvenile Offence and the Criminal Protection of Minors. Furthermore, the Family Law is within the competence of the Ministry of Family Welfare and Demography.

Criminal Code planned to be adopted by the end of 2024

The working group has been established to perform an analysis of the effectiveness of the criminal justice system based on completed cases in order to identify and eliminate its weaknesses and shortcomings and draft the working text of the Law on amendments to the Criminal Code. This activity is foreseen in the Revised Action Plan for chapter 23 Judiciary and fundamental rights.

Amendments to the Criminal Code are ongoing and all proposed amendments are still being considered from the perspective of the expediency of the decision. After the completion of the work of the working group and the legal-technical redaction, the Draft Law on Amendments to the Criminal Code will be submitted for public discussion, and then sent to the European Commission and other ministries for their opinion, so that the proposed provisions will be considered several times, before the adoption of the Draft Law by the Government and further referral to the parliamentary procedure.

Criminal Procedure Code is planned to be adopted by the end of 2024

The Working Group for the Analysis of Criminal Procedure Code was established with the aim of identifying and eliminating its weaknesses and shortcomings and drafting the working text of the Law on Amendments to the Criminal Procedure Code based on the results of the analysis. Amendments to the Code are one of the obligations arising from the activities provided for in the Revised Action Plan for Chapter 24 - Justice, Freedom and Security.

Amendments to the Criminal Procedure Code are underway. Serbia will also amend the Criminal Procedure Code in order to find and prescribe solutions that will contribute to the elimination of observed problems in the application of the Code, which were proposed in most cases by participants in criminal proceedings, representatives of the public prosecution, the legal profession and the Ministry of Interior. The changes will bring terminological alignment with the amendments to the Constitution and judicial laws, primarily the position of public prosecutors since, change of the title of the supreme court of cassation, etc. The intention is to delete the institution of the preliminary hearing, since it has not taken root in practice. The new legal solution will specify the rights of the injured party, the defendant, and the arrested person. Alignment will also be carried out with Directive (EU) 2013/48 on access to a defence lawyer in criminal proceedings and in proceedings based on a European arrest warrant and on the right to inform a third party in case of deprivation of liberty and to communicate with third parties and consular representations. Also, in accordance with the Directive on the right to information in criminal proceedings (EU) 2012/13, the new legal solution will provide that the arrested person has the right to be informed of his rights in writing, to be allowed to read them and keep them with him during deprivation of liberty. In accordance with the Directive on the right to interpretation and translation in criminal proceedings (EU) 2010/64, alignment will be carried out, among other things, in the part that refers to the translation of letters, minutes, decisions and other material. There will be further alignment with Directive (EU) 2016/343 on the evidence by which these facts are determined. Alignment with the Directive (EU) 2012/29 will be done in the part that refers to the right of the injured party to be informed about the stage of the procedure. Also, alignments will be made with Directive (EU) 2016/800 and Council Directive 2004/80/EC.

Law on Prevention of Domestic Violence is planned to be adopted by the end of 2025

It is expected to upon the adoption of the Action Plan for the implementation of the National Strategy for the prevention and fight against gender-based violence against women and domestic violence for the period 2021-2025, the Ministry of Justice will undertake all the necessary activities from this strategic document and carry out appropriate activities in order to analyse the implementation of the currently valid normative framework and define further directions in this field. This will create preconditions for the amendments to the Law on Prevention of Domestic Violence in 2025.

Law on Juvenile Offence and the Criminal Protection of Minors is planned to be adopted by the end of 2025

The Working Group was established for the drafting of the working text of the Law on Amendments to the Law on Juvenile Offence and the Criminal Protection of Minors. In accordance with the opinion of the European Commission, as well as the scope of the amendments to this law and the need for harmonisation with the amendments to the Criminal Code and the Criminal Procedure Code, which are currently being amended, it was concluded that it is necessary to draft a completely new text of the said Law and criminal protection of minors. The Work on drafting the Law will begin after the adoption of amendments to the Criminal Code and the Criminal Procedure Code.

Family Law is planned to be adopted by the end of 2024

A special working group for drafting the text of the Draft Law on Amendments to the Family Law was formed in 2023 by the Ministry of Family Welfare and Demography. The deadline for the adoption of the Law on Amendments to the Family Law is the fourth quarter of 2024. In this way, the Family Law will be harmonised with the Law on Prevention of Domestic Violence and the Criminal Code, which contains specific acts as forms of domestic violence.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The main stakeholder responsible for this measure is the Ministry of Justice, which is primarily accountable for the adoption of the legislative package intended under this measure, together with the other stakeholders responsible for the drafting of the Criminal Code, Criminal Procedure Code, Law on Prevention of Domestic Violence and the Law on Juvenile Offence and the Criminal Protection of Minors. The Ministry of Family Welfare and Demography will be responsible for the adoption of the Family Law amendments, together with the other stakeholders responsible for the drafting of the law.

The final beneficiaries of the adoption of the legislative package are the citizens of the Republic of Serbia that will be affected by an improved and better protection of their rights. More concretely, the persons with disabilities will be better protected by adding disability as a special circumstance for sentencing for a criminal offence committed out of hatred, as well as in certain criminal acts. Citizens will be better protected from domestic violence and more specifically femicide. Better protection of juveniles will be achieved through new types and system of criminal sanctions for minors, special obligations, new educational orders, etc. Finally minors in Serbia will be better protected through the abolition of underage marriages and more effective protection against domestic violence.

The investments that are eventually required to implement the reform:

The reasoning of the proposed amendments and new draft laws, once they will be finalised will include the assessment of the financial resources needed for the implementation of the law, which shall also include the sources of these funds.

A brief explanation of all required achievements to accomplish this step:

The **Criminal Code** will be amended by the end of 2024 primarily in its Special Part, considering that certain problems are observed in a number of criminal offences in different areas that justify a review of their legal description. Some of these are crimes related to narcotic drugs, the crime of illegal production, possession, carrying and trafficking of weapons and explosive substances, crimes against the environment, as well as other crimes that need to be aligned with EU framework decisions and directives, as well as international conventions. Furthermore, the Criminal Code needs to expand the institute of necessary defence and adding disability as a special circumstance for sentencing for a criminal offence committed out of hatred, as well as a special part, in which interventions were made in certain criminal acts.

Serbia will amend the **Criminal Procedure Code** by the end of 2024 in order to find and prescribe solutions that will contribute to the elimination of observed problems in the application of the Code, which were proposed in most cases by participants in criminal proceedings, representatives of the public prosecution, the legal profession and the Ministry of Interior. On the other hand, it is necessary to align the provisions of this Code with international standards and primarily EU *acquis*, such as Directive 2012/13/EU, Directive 2010/64/EU, Directive 2012/29/EU, which were all analysed and integrated into the initial working version of the text of the code for the purposes of the work of the working group.

When it comes to the **Law on Prevention of Domestic Violence**, the Ministry of Justice will address the issues from the aforementioned Action plan such as femicide through the amendments of the relevant criminal legislation that are planned for 2024 and analyse the necessary amendments of the said law for changes in 2025.

The main goal of drafting the new **Law on Juvenile Offence and the Criminal Protection of Minors** is to implement the activities provided for in the Action Plan for Chapter 23 – Judiciary and Fundamental Rights which foresees a review of the types and system of criminal sanctions for minors, special obligations, new educational orders, etc. In addition, it is important to align the provisions of the current Law with the provisions of the Criminal Procedure Code, the Criminal Code, the Law on the Organisation of Courts, the Law on Public Prosecution, the Law on the Police, the Law on the Execution of Criminal Sanctions and the Family Law, which were adopted after the current Law, as well as with other international instruments, and especially with Directive 2012/29/EU. This law will be adopted by the end of 2025.

The adoption of the Law on Amendments to the **Family Law** by the end of 2024 will include the abolition of underage marriages and more effective protection against domestic violence. Amendments will also refer to material provisions on domestic violence, by introducing new forms of domestic violence: inducing sexual relations with a child or a disabled person; leading, forcing or blackmailing a child into sexual relations through videos or photos with unwanted content; showing a child shorter or longer videos or photos of sexual or other inappropriate content via social networks and digital channels, as well as exploiting children for pornography; leading, forcing, enabling, encouraging or otherwise creating the conditions for establishing a child's extramarital union; restriction of freedom of movement or communication with third parties; persecution; insulting, as well as any other insolent, reckless and malicious behaviour, which can be done through digital channels and social networks; control and denial of economic resources needed to meet the needs of a family member or preventing a family member from performing economic activities (economic violence).

Step 2 - The quantifiable targets for the implementation of the aforementioned action plans are reached in order to ensure effective protection of vulnerable individuals (December 2026)

Action plan on Minority Rights

Challenges:

The working text of the proposal of the new Action Plan with the modified time frame for the implementation of activities has been prepared by a special working group consisting of representatives of competent institutions, national councils of national minorities and civil society organisations. Upon completion, it will be subject to public discussion in order to ensure a transparent and broad consultative and inclusive process with all interested parties and target groups.

In the meantime, even without a formally adopted Action Plan, Serbia undertook a series of activities aimed at fulfilling the recommendations from the Fourth Opinion of the Advisory Committee, which are also included in the working version of the Action Plan, such as activities related to the Population Census or various types of research and analysis in certain areas, which was also stated in the Fifth Report on the Implementation of the Framework Convention. It is expected that Serbia is to adopt the said Action Plan by the end of 2024 and start implementing it in order to reach the set targets from the plan.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The Ministry of Human and Minority Rights and Social Dialogue is the key responsible institution, together with all the stakeholders responsible for its implementation.

The final beneficiary of the measure is the individuals belonging to national minorities in the Republic of Serbia that will be affected by an improved and better strategic framework for the exercise of their rights and their protection.

The investments that are eventually required to implement the reform:

The reasoning of the proposed Action plan on Minority Rights, once it is finalised will include the assessment of the financial resources needed for the implementation of the Action Plan, which will also include the sources of these funds.

A brief explanation of all required achievements to accomplish this step:

Serbia will adopt strategic framework that would lead to a tangible improvement in the effective exercise of the rights of individuals belonging to national minorities throughout the country. The action plan will address the recommendations contained in the fourth opinion of the Council of Europe's Advisory Committee for the Framework Convention, set up a sustainable data collection framework and revitalise inter-ethnic relations, taking into account the need to involve the majority in Serbian society in integrating and including national minorities.

Action Plan on gender-based violence

Challenges:

The proposed **Action Plan 2024 - 2025** for the implementation of the **Strategy for the prevention and fight against gender-based violence against women and violence in the family 2021 - 2025** aims at ensuring effective prevention and protection against all forms of gender-based violence towards women and domestic violence and to develop a gender-responsive system of support services for victims of violence. Despite the fact that the Action Plan for the period from 2021 to 2023 was not adopted, competent state institutions and institutions carried out activities related to the fight against gender-based violence and domestic violence i.e. professional workers of social protection institutions are continuously trained to work with victims of violence in family and partner relationships and their children, as well as with perpetrators of violence. The Republic and Provincial Institute for Social Protection continuously provide support to case managers and supervisors in centres for social work. Currently, six licensed service providers of shelters for victims of violence are operating, and nine licensed hot-line service providers for women victims of violence. A Shelter for emergency accommodation of victims of human trafficking was established at the Centre for the Protection of Victims of Human Trafficking. From the beginning of 2022, the Law on the Rights of Users of Temporary Housing Services in Social Protection came into force, which in Article 20 regulates the prohibition of abuse in the institution, i. e. at the service provider, and therefore also in shelters for victims of violence.

Based on the results of the implemented activities, in 2023, the process of developing the Action Plan for the period from 2024 to 2025 was started, which should, together with the implemented activities from the previous three-year period, lead to the realisation of the general and specific goals established by the Strategy. The proposal of the action plan is currently in the stage of preparation for public discussion - work is being done on the refinement of certain indicators as well as the entry of the initial and target values of the indicators.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The complexity of this AP should be taken into account, given that it includes a large number of authorities and institutions, the Ministry of Labour, Employment, Veterans' Affairs and Social Affairs as the key responsible institution, but also the following ones: Ministry of Justice, Ministry of Internal Affairs, Ministry of Finance, Ministry of Human and Minority Rights and Social Dialogue, Ministry of Information, Republic Institute for Social Protection, Judicial Academy, Republic Institute of Statistics, National Academy for Public Administration, etc.

The final beneficiary of the measure are the citizens in the Republic of Serbia that are or will be affected by gender-based violence.

The investments that are eventually required to implement the reform:

The reasoning of the proposed Action plan on Gender-based Violence, once it is finalised will include the assessment of the financial resources needed for the implementation of the Action Plan, which will also include the sources of these funds.

A brief explanation of all required achievements to accomplish this step:

Through the implementation of the Action Plan, Serbia will enable effective and purposeful planning of human, material, financial (including financial resources from the budget, donor funds) and other resources, for the implementation of the activities planned by the Action Plan and thereby contribute to the achievement of general and specific goals and measures provided for in the Strategy.

Special emphasis will be placed on the alignment of the legal framework of the system of prevention and protection against gender-based violence against women and domestic violence with international standards established by international treaties, primarily the Council of Europe Convention on preventing and combating violence against women and domestic violence (Istanbul Convention) and The United Nations Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) and the improvement of the actions of responsible institutions in this area, including the monitoring of achieved results and quality reporting on what has been achieved.

Action Plan on Deinstitutionalisation

Challenges:

The Strategy of deinstitutionalisation and development of social protection services in the community for the period 2022-2026 was adopted by the Government of Serbia on the proposal of the Ministry of Labour, Employment, Veterans and Social Affairs on 1 February 2022. Despite the fact that the Action Plan for the period from 2022-2023 was not adopted, the competent ministry, state institutions and institutions carried out activities related to deinstitutionalisation i.e. progress was achieved in terms of the development of services in the community that help stay in the family as long as possible, overall the number of licensed service providers in the community has been growing for years, pluralism of service providers has been achieved and providers from the general sector dominate and no longer from the public sector as was the case in the past. This has contributed to an increase in employment because active social care service providers today employ over 8,000 workers, services are provided in over 90% of municipalities and the presence in districts is more uniform than before. The State since 2016 has been assisting the establishment and development of services through the mechanism of dedicated transfers in those local self-governments that are below the republic's level of development (around 600 million dinars per year on average).

The draft 2024-2025 Action Plan for the implementation of the Strategy of deinstitutionalisation is currently being prepared for public discussion. The proposal of the Action Plan, according to its structure, follows one defined general goal and five specific goals of the Strategy. The general goal of the Strategy is the realisation of human rights to life in the community of social protection beneficiaries through the processes of deinstitutionalisation and social inclusion. The AP, within each of the specific goals, contains a series of measures and activities that contribute to the achievement of the specific and general goals of the Strategy.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The Ministry of Labour, Employment, Veterans and Social Affairs is the primary stakeholder, together with other stakeholders responsible for the implementation of the Action Plan.

The final beneficiary of the measure are the citizens in the Republic of Serbia that are or will be benefiting from the deinstitutionalisation process.

The investments that are eventually required to implement the reform:

The reasoning of the proposed Action plan on Deinstitutionalisation, once it is finalised will include the assessment of the financial resources needed for the implementation of the Action Plan, which will also include the sources of these funds.

A brief explanation of all required achievements to accomplish this step:

Through the implementation of the Action Plan, Serbia shall enable effective, coherent and expedient planning of public resources (human, material, financial, including financial resources from the budget, funds from donors, creditors and others), for the implementation of measures and activities planned by the action plan and thereby contribute to the achievement of special and general goals outlined in the Strategy.

- central records are established on all forms of violence covered by the Istanbul Convention (remark: by the end of 2026 in the draft action plan).

Challenges:

Since the entry into force of the Law on the Prevention of Domestic Violence, systematic electronic recordkeeping and monitoring has been introduced in relation to domestic violence. All police directorates, basic courts, basic public prosecutor's offices and centres for social welfare collect data electronically and together form the Central Registry on Domestic Violence run by the Supreme Public Prosecutor.

Ministry of Justice is planning to develop a new ICT system for courts that will implement modern achievements in electronic business and that will reduce manual repetitive processes and digitize court proceedings to a large extent. The Roll out SAPS system project is underway, which involves the creation of a new modern centralized ICT system for managing cases in the courts. Unique central registry on domestic violence was not planned to be developed as a separate ICT system. Once when centralized interoperable ICT systems are established in public prosecutor's offices and courts, it will be possible to automatically keep registers on cases of domestic violence. In the technical specification for the central case management system for the courts, it was foreseen that the new SAPS system, its workflow, time frame procedures and rules shall be compliant with the requirements of the Law on Prevention of Domestic Violence. During previous years, the Ministry of Justice made changes to the existing software for managing cases in courts in order to improve the automatic generation of reports on cases with an element of domestic violence.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The Ministry of Justice is the primary stakeholder, together with other stakeholders responsible for the implementation of the SAPS.

The final beneficiary of the measure are the citizens in the Republic of Serbia that are or will be benefiting from better protection of their rights, and more specifically enjoy an improved protection from violence covered by the Istanbul Convention.

The investments that are eventually required to implement the reform:

Once the SAPS is finalised it will be possible to have the assessment of the financial resources needed for the development of the central records.

A brief explanation of all required achievements to accomplish this step:

Serbia will ensure that law-enforcement agencies, prosecution services and courts collect data on reported offences, outcomes of prosecution and convictions in relation to a number of offences, in particular domestic violence and sex offences. All data need will be classified by type of offence.

In addition, all actions taken by police in domestic violence cases will be recorded by the Ministry of Interior using extensive data categories such as age and sex of the victim and the perpetrator, the nature of their relationship, the type of violence perpetrated and its location as well as the number of protection orders issued and whether risk assessment has been carried out. Additional records collect data on the number of women killed by intimate partners and plans are underway to ensure this will be done electronically in the future. Most of this data is not available publicly. Moreover, data collection on sexual violence, forced marriage or other forms of violence covered by the Istanbul Convention and outside the domestic violence context seems much less developed.

Serbia will ensure the collection of robust data on all forms of violence and of all essential data categories, which are in particular the age and sex of the victim and perpetrator, their relationship as well as the type of violence and where it took place.

- 20 victims support services are established and victim support officers are systematised within the Act of Systematisation at each high court and the services are operational at the 20 high courts;

Challenges:

One of the most demanding step in the process of alignment with the EU *acquis*, both in terms of organisation and provision of finances, which nevertheless should make the greatest difference in improving the current situation, is setting-up a countrywide network of victim and witness support services in Serbia. Presently, assistance and support are provided to victims and witnesses mostly through activities carried out by services set up at several higher courts and prosecutor's offices, the War Crimes Prosecutor's Office, the Organised

Crime Prosecutor's Office, and the First Basic Public Prosecutor's Office in Belgrade; also, services at certain civil society organisations, legal clinics and social work centres offer support services to victims.

By the end of 2026 the National Network will thus comprise 20 support services established within the higher courts and the War Crimes Prosecutor's Service, as well as services set up as part of civil society organisations.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The Ministry of Justice and High Courts are the primary stakeholder. The beneficiary of the measure are the judges and staff in High Courts, that will be directly affected by the increase of the national network capacities once this measure is implemented.

The final beneficiary of the measure are the citizens in the Republic of Serbia that are or will be benefiting from better protection as victims and witnesses.

The investments that are eventually required to implement the reform:

The AP for the period 2023-2025 projects funds from the Budget of the RS of RSD 12,000,000. This amount can be increased approximately by the percentage of the salary increase of civil servants in the previous period. The total donor funds is EUR 630,000.

A brief explanation of all required achievements to accomplish this step:

The Specific objective 1 of the Strategy deals with the setting up a sustainable National Network of Victim and Witness Support Services in Serbia, while preserving and continually improving the achieved standard of quality and availability of support services.

Serbia will make the National Network of Victim and Witness Support Services fully operational and will be able to provide assistance and support services in line with the standards set out in the EU *acquis*.

- The number of users of community services by licensed service providers increased by 18%

Challenges:

The main goal of the Strategy for deinstitutionalisation in Serbia is to realise the right to life in the community of social protection beneficiaries through the processes of deinstitutionalisation and social inclusion. This goal will be achieved through a set of special goals and activities that, through the development of services in the community, the provision of stable sources of funding and conditions for integration, will prevent the placement of beneficiaries in institutions, that is, their return to local communities.

Serbia aims to establish an additional number of social protection services that have not been standardised so far are standardized because only those service providers who have a work license and their users are monitored through the reports. In the past period, the Ministry for Labour, Employment, Veteran and Social Policy has already prepared drafts of standards for a number of services that are not standardised, and additional drafts of standards are planned (e. g. for socio-educational services, intensive support services for families with children, etc.).

Increasing the number of service users is important for several reasons. First of all, it is support and help for citizens to fulfil their needs for social protection services in their own environment, with certain services in their own homes, then prevention of further pressure on placement in social protection institutions, help for families who care for their sick member, i.e. help for informal caregivers, support for the reconciliation of work and parenting/family life, promotion of gender equality, better protection of women victims of violence, contribution to social entrepreneurship in the field of social services, increase in employment through increased number of staff working on services as well as realization of the principles of inclusion and social cohesion, including Agenda 2030. In practice partial results have been achieved when it comes to the user group of children and youth, and when it comes to people with intellectual and mental disabilities no significant results have been achieved. Their number in accommodation institutions has remained not much changed for years, leaving the institutions is a rare phenomenon, certain services in the community that support staying in the natural environment are insufficiently developed. Finally, the existing coverage of the population by social protection services in Serbia is not at a satisfactory level, especially in rural areas (out of 1000 inhabitants, on average, 3 inhabitants use some social protection service provided by licensed providers).

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The Ministry of Labour, Employment, Veterans and Social Affairs is the primary stakeholder.

The final beneficiary of the measure are the citizens in the Republic of Serbia that are or will be benefiting from an increase of service users and deinstitutionalisation. People with disabilities will be achieving and maintaining an optimal level of independence and social participation, taking into account personal factors, environment and expectations.

The investments that are eventually required to implement the reform:

The reasoning of the proposed Action plan on Deinstitutionalisation, once it is finalised will include the assessment of the financial resources needed for the implementation of the Action Plan, which will also include the sources of these funds.

A brief explanation of all required achievements to accomplish this step:

Serbia will distinguish deinstitutionalisation from the transformation of residential institutions, as a process aimed at reforming their mandate, that is, the services they provide. It will establish a system that provides opportunities, supporting people with disabilities in achieving and maintaining an optimal level of independence and social participation, taking into account personal factors, environment and expectations. The number of users of community services by licensed service providers will be increased by 18%

Reform 9.2.2. Enhance freedom of expression, by amending the laws on electronic media and on public information and media to align with the EU *acquis* and European standards and by adopting the law on public service media and ensure implementation.**Challenges:**

While Serbia's legal and institutional framework concerning public information and media largely conforms to the EU *acquis*, further alignment and enhancement in the realm of public information and media are imperative to bolster freedom of expression and media integrity. Addressing these challenges involves developing a robust legal framework aimed at fostering a media environment characterized by transparency, inclusivity, and competitiveness. By establishing a quality-driven media legal framework, Serbia endeavours to cultivate a culture of ethics and accountability, thereby reinforcing its democratic values and promoting the welfare of its citizens.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The Ministry of Information and Telecommunications will lead the collaborative effort to draft amendments to three pertinent laws, engaging closely with relevant stakeholders and conducting comprehensive consultations with the European Commission. This process will be facilitated under the IPA 3 project, awarded to the Ministry and implemented by the OSCE from 2024 to 2027. The initiative will prioritize a multistakeholder approach and ensure transparency throughout the legislative processes.

Under the IPA 3 Project, expert assistance will be provided by OSCE to facilitate the harmonization, adoption and implementation of key media laws, namely the Law on Electronic Media, the Law on Public Information and Media, and the Law on Public Service Media. This support will encompass expertise and translation services for legislative drafts, fostering a structured approach to legal reform. The success of this endeavor will be gauged through key milestones, including the adoption of amendments to the aforementioned laws by December 2024 and adoption of the new Law on public service media.

The implementation of this reform will be measured by following steps:

1. *The three following laws are adopted, following consultations with the Commission: The law on electronic media and the law on public information and media are amended to align fully with the EU *acquis* and Council of Europe's standards; a new law on public service media is adopted in line with the media strategy, the EU *acquis* and Council of Europe's standards (December 2024).*
2. *Full implementation of media legislation is ensured, (December 2025) in particular:*

- All external complaints received by REM in 2025 are decided upon and published, including explanations on REM reasoning.
- Public co-funding of media content complies with Article 24 of the Law on public information and media.

A brief explanation of all required achievements to accomplish these steps:

The Working Group will be established for the drafting of the amendments on the Law on public information and media, followed by consistent consultation with the Commission. The Working Group will be established for the drafting of the amendments on the Law on electronic media, followed by consistent consultation with the Commission.

By adopting stated laws Serbia will establish a strengthened media framework and improve legal basis for freedom of expression, in line with the EU *acquis* and European standards.

The Working Group will be established for the drafting of the amendments on new Law on public service media, followed by consistent consultation with the Commission.

By adopting stated law Serbia will create robust legal framework for public service media, aiming for substantial improvements in this domain. This framework must integrate the EU *acquis* and the Council of Europe's standards, highlighting the importance of engaging all relevant stakeholders early and effectively in the policy-making processes.

For the second step, first part will include REM receiving all external complaints, reviewing them, making decisions by the REM Council, and publishing them on the website www.rem.rs.

In the second part, all commissions that are working on co-funding of media content of public interest, have to take into consideration the Act issued by the Press Council in respect of printed and online media, which established that the media outlet breached the law or the code of professional ethics, in accordance the Article 24 of the Law on Public Information and Media.

By complying to this article of the law Serbia will create a positive environment and culture of ethics and accountability that will encourage media to uphold Serbian Journalist Code of Ethics.

Subarea 9.3: FIGHT AGAINST ORGANIZED CRIME

Reform 9.3.1. Tackling of organized and serious crime

*Step 1 - Following consultations with the Commission, new strategic document and accompanying Action Plan *(2025-2030) for the control of Small arms and light weapons (SALW) in line with the provisions of the revised Regional SALW Roadmap for Western Balkans are adopted (June 2025)*

Challenges:

In the field of organized and serious crime, the Republic of Serbia is facing certain challenges which will be targeted by the Reform Agenda and based on this sub-area.

The reforms outlined in the Reform Agenda are designed to address the primary challenges that the Republic of Serbia continues to encounter in combating serious and organized crime. They also aim to make a significant contribution to the new strategic and normative framework, aligning with EU policies and standards in the areas of Justice, Freedom, and Security.

Addressing the main challenges that the Republic of Serbia is facing in the area of tackling organized and serious crime requires a comprehensive approach that involves policy reforms, institutional strengthening, capacity building, and effective implementation mechanisms. Further reforms are needed in order to develop and implement the strategic framework for the prevention and fight against serious and organized crime, focusing on illegal trafficking of firearms

Republic of Serbia strategic framework in the area SALW is in place. However, it is necessary to develop new strategic document in the area of SALW, bearing in mind that the current one is ending by the end of the 2024, and also taking into consideration that the revised SALW Regional Roadmap will be adopted by the end of 2024.

Republic of Serbia will create solid strategic background and legal framework to improve the track record in the area of organized crime, notably to enhance number of investigation, prosecution and final conviction in the area of trafficking of firearms with increased number and value of assets seized and confiscated in serious and organized crime cases.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The main stakeholders in this measure are the Ministry of the Interior, as a responsible authority for drafting and monitoring the implementation of strategic documents in the field of SALW, together with the relevant partners, while the final beneficiaries will be the Serbian citizens.

The investments that are eventually required to implement the reform:

At present, the costs associated with adopting and implementing this document remain unknown. A comprehensive evaluation of the overall costs and the value of all potentially necessary investments, for each individual activity and measure, will be carried out and presented prior to adoption.

A brief explanation of all required achievements to accomplish this step:

Serbia will adopt the new strategic document and accompanying the Action Plan for the period 2025-2030 for the control of Small arms and light weapons (SALW) by June 2025 in line with the provisions of the revised Regional SALW Roadmap for Western Balkans, that will be adopted in October 2024. .

As a first initial step in developing the new strategic document and the accompanying Action Plan in this field, the Serbian Government will establish a Working Group to create this document.

Upon review of the outcomes of the previous strategy and action plan implementation, as well as the previous Roadmap, and consideration of the conclusions from the new Roadmap, the working group will confidently proceed with drafting these two documents.

As part of the document preparation process, the working group will actively engage with CSOs and interested parties. Following the completion of the final draft, the Ministry of the Interior will submit the document to the European Commission for consultation.

After consultation with the EC, the next step will be a public debate, signaling the commencement of the procedure for adopting the document at the Government session. Subsequently, we expect the adoption of the document at the Government session.

Step 2 - The Law on internal affairs addressing the issue of police autonomy from the Ministry of Interior during pre-investigation and investigation phases and recommendations from the Committee for Prevention of Torture is adopted (June 2025)

Challenges:

The legal precondition for the police autonomy from the Ministry, during pre-investigation and investigation phase, along with the implementation of the CPT recommendation.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The final beneficiary of the reform will be Serbian citizens, while the competent authority and authority responsible for drafting, adoption and implementation of the Law, consulted with the CSOs, is the Ministry of the Interior, as a responsible authority for drafting and monitoring the implementation of the Law,

The investments that are eventually required to implement the reform:

At present, the costs associated with adopting and implementing this law remain unknown. A comprehensive evaluation of the overall costs and the value of all potentially necessary investments will be carried out and presented following the completion of the final draft.

A brief explanation of all required achievements to accomplish this step:

The Ministry of the Interior, along with relevant partners, has prepared the Draft Law. The next initial step for the Ministry is to review and confirm it.

After completing the initial step, the draft law will be presented to the CSOs, who will be involved again in the second official round of consultation.

After consulting with the CSO, the Ministry will prepare the final draft, incorporating the recommendations, proposals, and suggestions provided by the CSOs.

Following the consultation with the CSO, the Ministry of the Interior will submit the Draft to the EC for consultation purposes as the next step.

After the European Commission submits its opinion and comments on the Draft Law, the Ministry will, again, in collaboration with CSOs, review the text and harmonize it with the EC's submitted comments. About this matter, the Ministry will notify the European Commission

After completing the specified step, there will be a public discussion and potential revisions to the Draft based on the input of interested parties.

Before the law is adopted, it will go through several steps. First, it will be reviewed by the Government during a session. Next, it will be reviewed by the National Assembly during a separate session, where the new Law on Internal Affairs will be officially adopted.

Step 3 - Adoption of operational plan on financial investigations (December 2025).

Challenges:

As part of the criminal investigation, which is generally proactive, the prosecution collects data on the financial profile of the defendants, including data on their income, movable and immovable assets, as well as data on cash flows related to the execution of specific activities of a criminal offense, to determine financial benefits /damages caused by the commission of a criminal act, to, in the final judgment, confiscate the property benefit obtained by the criminal act. Provisions of the Criminal Procedure Code and the Law on Seizure and Confiscation of the proceeds from Crime stipulate that the results of a criminal investigation - evidence collected during the investigation of a specific criminal offense can and will be used in a financial investigation under Law on Seizure and Confiscation of the proceeds from Crime, and vice versa. In this way, it is possible to discover new and already committed criminal acts, and it is also possible to discover new assets of the defendants, which can be subject to extended confiscation. Within the PPOOC, there is a specialisation in processing cases of financial investigations, and temporary and permanent confiscation of property from a criminal offense, handled by one deputy prosecutor and two assistant prosecutors. There is a slight increase in financial investigations and confiscation. The number of new investigations and final convictions slightly increased in 2022 compared to 2021. In 2019, financial investigations were initiated against 134 defendants, in 2020 against 150 defendants, and in 2021 against 162 defendants, in 2022 against 296 defendants, and from January 1 until June 30, 2023 against 56 defendants. The number of persons against whom PPOOC filed a request for permanent confiscation of property (extended confiscation) in 2019 was 4, in 2020 9 persons, and in 2021 51 persons, in 2022 against 13 persons, and in the first half of 2023 against 50 persons. Serbia needs an efficient and proactive tool to investigate and prosecute financial crimes because gaining assets is the underlying reason for and motivation behind most such criminal offenses. Forfeiture of assets that have resulted from a criminal offence supports the rule of law and the moral principle that no one can benefit from a criminal offence. The police and prosecution authorities in Serbia have had some success in this area, but their results need to be improved.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The main stakeholder responsible for this measure is the Ministry of Justice, which is primarily accountable for the adoption and the monitoring of the implementation of the Operational plan of financial investigations, together with the other stakeholders responsible for the drafting and implementation of the document.

The final beneficiary of the measure is the citizens of the Republic of Serbia that will be affected by an improved and better streamlined work on the financial investigations through a strategic frame.

The investments that are eventually required to implement the reform:

The process of adopting the Operational Plan requires funding, and the cost estimates for its implementation will be based on detailed estimation of each individual planned activity in the future Operational plan. Such

an approach shall ensure a higher level of accuracy in the estimation of the necessary funding for the implementation of the Strategy as well as of the assessment of effects of its implementation. The justification will be provided for the funding needed for Operational Plan implementation by different actors in charge of activities, by sources and by years.

A brief explanation of all required achievements to accomplish this step:

In order to better streamline the work on the financial investigations through a strategic frame, it is planned to adopt an Operational plan of financial investigations by the end of 2025. The operational plan will present a continuation of the efforts started within the strategic framework of the Financial Investigation Strategy of 2015. This draft policy document was one of the key instruments in introducing financial investigation component in criminal proceedings. The objective of the operational plan is to comprehensively address the problem of financial crime, rather than leaving everything to the law enforcement and prosecution authorities. It implies connections between a wide circle of government authorities, that cooperate and exchange information received and processed by specialised police departments and public prosecutors' offices and efficiently and proactively identify and prosecute financial criminal offenders, which is an approach used for the first time in Serbia. The objective of the Operational plan will be to improve the work on financial investigation, temporary and permanent confiscation of assets as explained in the challenges, not only for financial crime but for all crimes.

Step 4 - New legislative framework is adopted, notably: a new Law on suppression and prevention of THB by Parliament; criminal code is amended in order to criminalise effectively the trafficking of weapons, in line with the provisions of the Convention on transnational organised crime and firearms protocol; adoption of a new Law on weapons and ammunition, in line with EU acquis (June 2025)

Challenges:

Law on suppression and prevention of THB

Serbia needs to systemically and uniformly regulate the area of the THB, the organization, and actions of state authorities and organizations, institutions, and civil society organizations for the effective suppression of human trafficking, as well as to ensure timely and effective identification, support, and protection of victims of trafficking to people, by providing the normative framework in the field of Law on suppression and prevention of THB.

Criminal Code

Serbia needs to create a legal presumption that investigations for the criminal offense of illegal arms trafficking are carried out in an efficient manner and at the same time and at the same time comply with the provisions of the UN Convention on Transnational Organized Crime and the Additional Protocol on Firearms.

Law on weapons and ammunition, in line with EU acquis

Serbia needs to harmonize its national legislation with the EU *acquis* in the field of weapons and ammunition. The new Law on weapons and ammunition will be aimed to alignment with the provision of EU Directive (EU) 2021/555 which sets minimum standards regarding civilian firearms acquisition and possession that EU member states must implement into their national legal system.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

Law on suppression and prevention of THB

The main stakeholder responsible for this measure is the Ministry of the Interior, to draft and to propose the Draft Law, together with the relevant stakeholder and CSOs, while the final beneficiaries will be the citizens of the Republic of Serbia.

Criminal Code

The main stakeholder responsible for this measure is the Ministry of Justice, to draft and to propose the Draft Law, with the relevant partner, such as the Ministry of the Interior.

Law on weapons and ammunition, in line with EU acquis

The main stakeholder responsible for this measure is the Ministry of the Interior, to draft and to propose the Draft Law, together with the relevant stakeholder and CSOs, while the final beneficiaries will be the citizens of the Republic of Serbia.

The investments that are eventually required to implement the reform

Law on suppression and prevention of THB, Criminal Code, Law on weapons and ammunition

A comprehensive cost and investment assessment will be available once the document is drafted.

A brief explanation of all required achievements to accomplish this step:

Law on suppression and prevention of THB

As a first initial step for the preparation the Draft, initial analysis of the existing normative framework of the member state will be conducted by the Ministry, together with the relevant analysis of the existing state of play in Serbia in this field.

Interministerial working group led by the Ministry of the Interior will be established

Working group will prepare the Draft which will be presented to the CSOs, within the official round of consultation

After consulting with the CSO, the Ministry will prepare the final draft, incorporating the recommendations, proposals, and suggestions provided by the CSOs.

Following the consultation with the CSO, the Ministry of the Interior will submit the Draft to the EC for consultation purposes as the next step.

After the European Commission submits its opinion and comments on the Draft Law, the Ministry will, again, in collaboration with CSOs, review the text and harmonize it with the EC's submitted comments. About this matter, the Ministry will notify the European Commission.

After completing the specified step, there will be a public discussion and potential revisions to the Draft based on the input of interested parties.

Before the law is adopted, it will go through several steps. First, it will be reviewed by the Government during a session. Next, it will be reviewed by the National Assembly during a separate session, where the new Law will be officially adopted.

Criminal Code

Already explained in the Reform 9.2.1.

Law on weapons and ammunition

The Ministry of the Interior's internal working group conducted various thematic workshops to start drafting a new law. An interministerial working group, led by the Ministry of the Interior, is established to finalize the proposal.

Working group will prepare the Draft which will be presented to the CSOs, within the official round of consultation.

After consulting with the CSO, the Ministry will prepare the final draft, incorporating the recommendations, proposals, and suggestions provided by the CSOs.

Following the consultation with the CSO, the Ministry of the Interior will submit the Draft to the EC for consultation purposes as the next step.

After the European Commission submits its opinion and comments on the Draft Law, the Ministry will, again, in collaboration with CSOs, review the text and harmonize it with the EC's submitted comments. About this matter, the Ministry will notify the European Commission

After completing the specified step, there will be a public discussion and potential revisions to the Draft based on the input of interested parties.

Before the law is adopted, it will go through several steps. First, it will be reviewed by the Government during a session. Next, it will be reviewed by the National Assembly during a separate session, where the new Law will be officially adopted.

Step 5 - Both Actions plans continuously implemented, leading to (i) increased number of investigations, indictments and final convictions in organised crime cases (track record), (ii) Increased number of investigations, indictments and final convictions for trafficking of weapons (track record), (iii) Increased number and value of seized and confiscated assets in serious and organised crime cases, (iv) Increased number of tracing of firearms and investigations on origin of seized weapons (track record), (v) Increased number of victims of THB granted especially vulnerable witness status in line with the Code of Criminal Procedure (June 2026) repeated in (June 2027).

Challenges:

Republic of Serbia establishes an initial track record of efficient and effective investigation, prosecution and convictions in organised crime cases, including the confiscation of criminal assets. Serbia demonstrates an initial track record of successful investigations, prosecutions and final convictions of people smugglers, including successful confiscation of their criminal assets

Final beneficiaries and stakeholders involved, implementation plan and responsibilities

The Ministry of the Interior as a responsible authority for drafting and adoption, prosecutors and courts, as well as citizens as main and final beneficiaries

The investments that are eventually required to implement the reform

A comprehensive cost and investment assessment will be available once the documents are drafted

A brief explanation of all required achievements to accomplish this step:

NOTE: At this stage, it is currently not possible to accurately determine all the necessary sub-steps for improving statistics in these areas. As stated, the adoption and, most importantly, the implementation of the mentioned documents will be carried out with the primary aim of improving these statistical indicators.

After the new set of policy priorities are defined and the provisions of the new Laws are adopted, Republic of Serbia will create solid strategic background and legal framework to improve the track record in the area of organised crime, notably to enhance number of investigation, prosecution and final conviction in the area of THB and trafficking of firearms with increased number and value of assets seized and confiscated in serious and organised crime cases.

Adoption and implementation of the measures from the RA will increase number of investigations, indictments and final convictions in organised crime cases, the number of investigations, indictments and final convictions for trafficking of weapons, number and value of seized and confiscated assets in serious and organised crime cases, number of tracing of firearms and investigations on origin of seized weapons, number of victims of THB granted especially vulnerable witness status in line with the Code of Criminal Procedure.

Subarea 9.4: SECURITY AND MIGRATION

Reform 9.4.1. Tackling of the security and migration challenges

Step 1 - A new strategic document and accompanying action plan that covers counter terrorism and all forms of radicalization and violent extremism (irrespective of political, religious or ethno-nationalist so-called justification) are adopted in line with EU policies, including envisaging concrete steps to prevent recruitment and participation of Serbian citizens as foreign fighters and to prosecute returning foreign fighters returned to Serbia (June 2025)

Challenges:

This subarea is comprised of reform measures which are aimed to improve strategic framework in the area of CT/PVE in order to address all form of violent extremism, radicalization and terrorist threats together with the prevention of recruitment and efficient prosecution of Serbian nationals who are acting as “foreign fighters” on the third country territory.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The final beneficiary of the reform is the Ministry of the Interior, as a responsible authority for drafting and monitoring the implementation of the strategic document, with the competent authority in this field.

The investments that are eventually required to implement the reform:

A comprehensive cost and investment assessment will be available once the document is drafted.

A brief explanation of all required achievements to accomplish this step:

As a first step, for the purpose of developing the new strategic document and accompanying the Action Plan in this field, the Serbian Government will establish the Working group for the development of this document.

After drafting the document, public discussion and consultation with the EC, the document will be adopted at the Government session.

Step 2 - The documents are adopted to:

- a) *Define the tasks of the multi-departmental Team for the initial assessment of the risk of radicalization and violent extremism, the modalities of its cooperation with other relevant actors in the field of prevention, as well as the roles and obligations of the various participants in the Initial Assessment Team*
- b) *Define the human capacities, resources and Plan of the activities/ Methodology (adopted by the Government) for responding to a terrorist attack, as well as establish a system for managing the consequences of a terrorist attack.*
- c) *Define work plans in different crisis situations and Plan of the activities/ Methodology (adopted by the Government) in order to define the tasks, human capacities, resources and procedures in order to reduce the consequences of a terrorist attack.*

(December 2026)

When it comes to the terrorist attack clarification, it is defined as any terrorist act in line with Serbian normative framework.

When it comes to the Serbian definition of terrorism, the concept of terrorism as a criminal offense encompasses a series of actions that form the core of this criminal offense. This is primarily regulated by the Serbian Criminal Code as the main law governing this area of legal matters.

Challenges:

This set of measures are aimed to define documents in the form of Methodology, instructions and mechanisms (adopted by Government) that will act preventively to reduce the possibility of a terrorist act, create early warning system against the possibility of radicalization and create contingency plans for the respond and management of consequences of a terrorist act.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The final beneficiary of the reform is the Ministry of the Interior, as a responsible authority for drafting and monitoring the implementation of these documents, with the competent authority in this field.

The investments that are eventually required to implement the reform:

A comprehensive cost and investment assessment will be available once the documents are drafted.

A brief explanation of all required achievements to accomplish this step:

As a first step, for the purpose of developing the this set of documents, the MoI will establish the Working group for the development of this documents.

After drafting the document, and all required internal procedures, the documents will be adopted at the Government session.

Reform 9.4.2 (Potential) Security risks for the EU linked to the visa-free travel rights for nationals of countries that would be otherwise visa required, addressed

Challenges:

Since in the analysis of national economies, human factor is treated as the first-class economic resource, it is clear that emigration of the most educated population represents an irrecoverable loss for the Republic of Serbia. Qualified and most often highly educated population, is mainly emigrating from Republic of Serbia, therefore emigration has negative effects on the labor force supply and overall economic development. In trying to mitigate negative economic and social effects has not yet aligned fully with the EU visa regime allowing temporarily to benefit from entries of foreign citizens for touristic purposes, but also as a labor force in those professions for which there is a growing need.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

EU and its members states as a key partners and stakeholders, and citizens of Serbia, who will continue to have visa-free regime to EU, as Serbia continues to moving towards harmonisation of visa policies with the Union.

However Serbia considers EU a key strategic partner and thus analyze all security effects that different visa regime may have for EU member states. In 2022 and 2023 Serbia took major steps to align with EU visa policy by reinstating visa requirements for six third countries. Serbia has set as one of the objectives of the Reform Agenda in line with Article 3 of the Regulation on Reform and Growth Facility to *moving towards harmonisation of visa policies with the Union*. Serbia will proceed with the introduction of additional security measures to better screen visa-free arrivals for countries presenting a high risk of irregular migration to the EU.

Despite the fact that in November 2023, Serbia adopted the Plan for Harmonization with the Visa Regime of the European Union, which concretely specifies the progressive alignment of Serbia's visa policy with Regulation 2018/1806 of November 14, 2018, the Plan envisages a series of measures to be taken if an increased influx of nationals of countries with visa-free regimes with Serbia, who entered the EU through Serbia, is observed and if this influx raises (security) concerns. If these measures do not yield results and the influx of migrants continues to raise concerns, the question of suspending the visa-free regime will be considered independently of the deadlines set out in the Plan for Harmonization with the Visa Regime of the EU.

Serbia continues to align with the Annex II (Regulation 2018'1806) - List of third countries whose nationals are exempt from the requirement to be in possession of a visa when crossing the external borders of the member states for stays of no more than 90 days in any 180-day period.

Moreover, Serbia will continue to actively contribute to the management of the mixed migration flows towards the EU and cooperate with the EU, EU Member States and its neighbours to implement the EU Action Plan on the Western Balkans presented by the Commission in December 2022. Serbia is also about to finalize negotiations on the new Frontex Status Agreement with the EU;

The implementation of this reform will be measured by following step:

1. *Alignment with EU visa regime with at least three countries whose nationals need visa to enter the EU (December 2024).*

A brief explanation of all required achievements to accomplish this step:

This step is self-explanatory and easy to measure and verify.

Subarea 9.5: FIGHT AGAINST CORRUPTION

Reform 9.5.1. Improved fight against and prevention of corruption

Step 1 - Following consultations with the Commission, the strategy and action plan for 2025-2028 are adopted (December 2024)

Challenges:

The National Strategy for the Fight Against Corruption was adopted by the Government of the Republic of Serbia on July 25th, 2024 ("Official Gazette of the RS", No. 63/24) and it covers the period from 2024-2028. The adoption of the Action Plan will follow within 90 days from the adoption of the National Strategy, in accordance with the provisions of the Law on the Planning System of the Republic of Serbia. This document will present a continuation of activities from the most recent Operational Plan for the Prevention of Corruption in Areas of Special Risk that was adopted in 2021 as a strategic document and was valid in the period between previous National Anti-Corruption Strategy and adoption of the new National Anti-Corruption Strategy.

The MoJ established Working Group for the drafting of the National Anti-Corruption Strategy for the period until 2028 and the accompanying Action Plan. The new Strategy for the fight against corruption aims of strengthening existing and creating new systemic solutions for preventing corruption at all levels and raising awareness of the harmfulness of corruption, as well as creating conditions for more effective detection, prosecution and sanctioning of criminal offences, with continuous implementation and upgrade of existing anti-corruption mechanisms.

The vision of the Strategy is to build a democratic society based on the principles of the rule of law, transparency, and responsibility, in which the system of integrity prevents corruption. The Strategy defines the general goal and special goals, as well as the principles on which their realization is based, through the implementation of the measures foreseen by the Strategy. The general goal that must be achieved by this Strategy is the constant commitment of public authorities and political entities to the suppression of corruption and the efficient and consistent application and constant improvement of anti-corruption rules, timely detection and adequate punishment of corrupt behaviour and strengthening of awareness of the causes, state, and harmfulness of corruption. The general goal of the Strategy is the function of the comprehensive development of the fight against corruption, and as part of the accession negotiations with the European Union, which will improve the rule of law in the Republic of Serbia. Realization of the general goal of the Strategy includes five specific goals 1. improvement of the normative framework, 2. strengthening of the institutional framework for preventing and fighting corruption, 3. improvement of transparency, 4. strengthening of integrity, and 5. raising awareness about corruption.

Given the specificity of the Strategy, within each existing goal, observed risks for corruption in certain areas were presented, to better understand the connection to the proposed measures.

The National Anti-Corruption Strategy sets a robust framework for enhancing transparency, accountability, and the effectiveness of public institutions. It is a comprehensive document designed to tackle corruption in multiple high-risk sectors. Sectors covered by the Strategy are health, education, taxes, customs, local self-government, public sector management, construction and spatial planning, public procurement, privatization, public enterprises and other state-owned legal entities, police, financing political parties and repression.

A key component of this strategy is its role in Serbia's EU accession process, particularly concerning Chapter 23. The strategy is expected to meet all fourteen anti-corruption interim benchmarks for Chapter 23, which will significantly align Serbia's anti-corruption efforts with European standards. In addition, the Strategy covers recommendations from the Fourth and Fifth rounds of evaluation of the Group of States Against Corruption (GRECO).

The strategy underlines that the protection of financial interests is a measure of institutional upgrading and by that the Republic of Serbia shows its willingness to provide effective protection of the European Union's funds, to the same extent and under the same treatment as if it were its own budget funds. In this sense, it is stated that within the Ministry of Finance, the Department for Suppression of Irregularities and Frauds in the Handling of Financial Resources of the European Union (AFCOS) was established as a central contact point for cooperation with the European Anti-Fraud Office (OLAF), as well as other authorities and bodies of the European Commission. This department is also the central contact point for cooperation with the authorities of the Republic of Serbia (primarily with the Supreme Public Prosecutor's Office, the Ministry of Internal

Affairs, the Agency for the Prevention of Corruption) in the area of protection of EU financial interests. The Republic of Serbia will ensure that activities in the field of protection of financial interests of the EU are part of the action plan for the implementation of the strategy, which will be adopted within 90 days from the date of adoption of the strategy.

The Strategy also set up measures regarding the internal control in the areas with the highest risk of corruption such as *Strengthening of capacities in the performance of inspection supervision and performance of internal control of inspections*. The measure is in accordance with interim benchmark 30: *The Republic of Serbia employs and manages the careers of civil servants based on clear and transparent criteria, with an emphasis on evaluation and demonstrated skills. The Republic of Serbia is developing and implementing a mechanism for the effective implementation of the Code of Conduct for Civil Servants. The Republic of Serbia provides an initial record of sanctions applied in cases of violations of the Code. The Republic of Serbia ensures the prevention of corruption through the introduction of an efficient internal system of control and strengthening the responsibility of managers in the public sector.*

Strengthening the capacity of the Tax Administration is also recognized as a measure. The operational plan of the Tax Administration for the prevention of corruption recognized the need to increase the efficiency of the work of the Tax Administration, especially through strengthening the capacity of internal control and tax inspectors, as an addition to the activities that will be implemented based on the Revised Action Plan, and foresees measures dedicated to the further improvement of the mechanism for preventing corruption. The aforementioned activities also contribute to the achievement of the interim benchmark 32: *The Republic of Serbia applies and assesses the impact of measures taken to reduce corruption in vulnerable areas (health, taxes, customs, education, local self-government, privatization, public procurement and police), undertakes corrective measures where necessary and organizes the initial record of a measurable reduction in the degree of corruption in the mentioned areas.*

Another very important measure is Strengthening the system of monitoring the financing of political activities. Although the Republic of Serbia adopted a new Law on the financing of political activities, there are still certain activities that need to be undertaken to improve the implementation of this law, as well as the supervision of the financing of political activities. The Venice Commission and the OSCE Office for Democracy and Human Rights made recommendations for improving the oversight mechanism through comprehensive control of fundraising and expenses, identifying illegal practices and proportionally and effectively sanctioning actions that do not comply with regulations. The measure is in accordance with interim benchmark 28: *The Republic of Serbia amends its Law on the Financing of Political Activities and works to strengthen the independence and administrative capacities of the relevant supervisory bodies, especially the State Audit Institution and the Republic Election Commission. The Republic of Serbia provides initial records of adequate application of the law, including deterrent measures where necessary.*

When it comes to the control of the privatization process, the Strategy prescribes that it is necessary to increase the transparency of the control process in accordance with the Risk Analysis of the Agency for the Prevention of Corruption, which indicates the need to publish the decisions of the Commission for Control of the Execution of Buyer's Obligations, i.e. data suitable for public disclosure, bearing in mind the regulations on protect data confidentiality.

Another important measure is *Establishment of effective control of the work of the public sector in the implementation of public procurement in all phases* which is related to the implementation of the interim benchmark 32: *The Republic of Serbia implements and assesses the impact of measures undertaken with the aim of reducing corruption in risk areas (health, taxes, customs, education, local self-government, privatization, public procurement and police), undertakes corrective measures where necessary and organizes an initial record of a measurable reduction in the degree of corruption in the mentioned areas.*

Concrete activities for all measures from the Strategy will be prescribed by the Action Plan that is to be adopted by the Government within 90 days from the day of the adoption of the Strategy.

Meanwhile, Serbia adopted several Operational Plans for the Prevention of Corruption in these specific areas: Ministry of Education adopted the Operational Plan for the Fight against Corruption in the Field of Education on the 15th October 2021; Ministry of Health adopted the Operational Plan for the Fight against Corruption in Health on the 28th December 2021; Tax Administration adopted the Operational Plan for the Fight against Corruption in the Field of Taxation on the 31st of December 2021.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The main stakeholder responsible for this measure is the Ministry of Justice, which is primarily accountable for the adoption of the **National Anti-corruption Strategy and accompanying Action Plan**, together with the other stakeholders responsible for the drafting and implementation of the document.

The final beneficiary of the measure is the citizens of the Republic of Serbia that will be affected by an improved fight against corruption, especially in the twelve risk areas: Education, Health, Taxes, Customs, Local self-government, Public sector management, Public enterprises, Police, Privatization, Construction and infrastructural planning, Financing of political parties and Public procurement.

The investments that are eventually required to implement the reform:

When the reasoning for the proposed **Action Plan** is completed, it will include the assessment of the financial resources needed for the implementation of the Action Plan, which will also include the sources of these funds.

A brief explanation of all required achievements to accomplish this step:

The Republic of Serbia has adopted the National Anti-Corruption Strategy and needs to adopt the accompanying Action Plan for the period 2025–2028 (by December 2024) after consulting with the Commission.

Through the implementation of this important strategic document, Serbia intends to improve its strategic approach in the fields of 12 risk areas: Education, Health, Taxes, Customs, Local self-government, Public sector management, Public enterprises, Police, Privatisation, Construction and infrastructural planning, Financing of political parties and Public procurement. The areas of Whistle-blower protection, Lobbying and Transparency of work will also be represented throughout the entire strategy within the all mentioned areas.

Step 2 - All vacant positions for prosecutors and judges in anti-corruption departments and in special prosecutor's office for organised crime, and special department of the higher court and of the appellate court in Belgrade for organised crime are filled in accordance with the Annual Schedule of Judges (adopted by the HJC) and the Decision of the High Prosecution Council on the number of public prosecutors and trained. (December 2025)

Challenges:

The procedure for election, transfer and dismissal of judges and public prosecutors is independent of political influence because it is conducted by the High Judicial Council, which is an independent authority under the Constitution of the Republic of Serbia, and the High Prosecutorial Council, which is an independent authority under the Serbian Constitution. In addition, members of the High Judicial Council and the High Prosecutorial Council are independent of political influence, as they cannot be members of political parties.

Following the aforementioned analysis, the Law on Organisation and Jurisdiction of State Authorities in Suppression of Organised crime, Terrorism and Corruption was adopted in November 2016, and its application began in March 2018. The law addresses issues of normative and organisational character necessary for an efficient fight against corruption, organized, financial, economic and crime against official duty: the organisational structure of public prosecutor's offices, courts and police has been redefined, an effective cooperation between the police, prosecutors, courts and other state agencies through liaison officers has been established, resolving of particularly complex cases has been improved, the capacities of judicial office holders and members of the police in the field of financial investigations have been strengthened, and the continuous training of judges, judicial officials and police officers in the field of financial investigations has been provided. The Judicial Academy is continuously conducting education activities for police officers, prosecutors and judges.

In accordance with the Law, special departments for suppression of corruption were formed in 4 higher public prosecution offices, 4 higher courts, and the 1st anti-corruption department within the Criminal Police Department of the Ministry of Interior. Also, the possibility of forming a financial forensic service is foreseen.

The Prosecutor's Office for Organised Crime has prepared an Analysis of the organisational structure, competences, existing and necessary capacities of the Prosecutor's Office for Organised Crime (POOC), concluding with a cross-section of the situation from 2020. The Analysis established that in order to have expeditious, high-quality and economical criminal proceedings and prosecutorial investigations conducted by the POOC, intensive international cooperation, it was necessary to increase the number of employees in the

POOC. The MoJ provided financial resources for the increase in the number of vacancies by 17 positions in the Personnel Plan for 2021 and, based on the adopted Personnel Plan, approved the amendment of the Rulebook on internal organisation and systematization of job positions.

At the end of 2023, a total of 43 public prosecutors and 39 prosecutor's assistants were employed.

Trainings of employees of the Special Departments for the fight against corruption are continuously being held. The Republic Public Prosecutor's Office with the Faculty of Economy in Belgrade, the US Department of Justice and the Ministry of Foreign Affairs participates in the project "Strengthening forensic accounting capacities in Serbia", which aims to launch a one-year academic study program at the Faculty of Economy in Belgrade, within which trained personnel - financial forensics will be educated, in order to work in competent public prosecutor's offices. The representatives of Public Prosecutor's Office for Organized Crime participated in 455 conferences, seminars, workshops, round tables and study visits in period from 2016 until end of June 2023.

The POOC has a total of 79 employees, out of which 22 are public prosecutors, 26 prosecutor's assistants and 31 members of the administrative and technical staff. Trainings for employees of the POOC and special departments for the fight against corruption are continuously being held. In order to increase efficiency in its work, the PPOOC conducts a number of activities and cooperates not only with the countries of the region, although this cooperation is the most intensive, but also with the countries of Western Europe, and often, due to the prevalence of organized crime, with Latin American countries and other parts of the world. POOC has intensified cooperation with Eurojust, but also with Europol, which has given significant results.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The stakeholders responsible for this measure are the High Judicial Council and High Prosecutorial Council, which will be primarily accountable for the increase of the number of prosecutors and judges in anti-corruption departments.

The beneficiary of the measure are the prosecutors and judges in anti-corruption departments, both the newly elected ones as well as their peers that will be directly affected by the increase of the overall administrative capacities in the judiciary once this measure is implemented.

Finally, the final beneficiary of the measure is the citizens of the Republic of Serbia that will be affected by an improved fight against corruption, faster processing of cases, reduced backlog, and more efficient handling of anti-corruption matters.

The investments that are eventually required to implement the reform:

This information will be known once the the HJC adopts the Annual Schedule of Judges and once the HJC adopts the Decision of the High Prosecution Council on the number of public prosecutors.

A brief explanation of all required achievements to accomplish this step:

Currently, the number of judges assigned to work in the Special Department for Suppression of Corruption in the High Court in Niš is 5; in the Special Department for Combating Corruption in the High Court in Kraljevo is 6; in the Special Department for Combating Corruption in the High Court in Novi Sad is 6; and in the Special Department for Suppression of Corruption in the High Court in Belgrade is 4.

Serbia will fill vacant positions for prosecutors and judges sitting in anti-corruption departments in accordance to the Annual Schedule of Judges (adopted by the HJC) and the Decision of the High Prosecution Council on the number of public prosecutors to improve its track-record on anti-corruption cases and to continually train the staff.

Step 3 - The track record of effective and efficient investigations, prosecutions, final judgements, seizure, and final confiscations in corruption, including high-level corruption cases is improved (June 2026) repeated in (June 2027).

Challenges:

The track record of handling corruption cases, including investigations, prosecutions, final judgments, seizures, and confiscations, shows both progress and areas needing improvement. Whilst most forms of corruption are criminalised, further improvement is needed to establish a robust track record on investigations, indictments and final convictions in high-level corruption cases. The overall track record, while considerable,

reveals significant room for improvement in the effectiveness and efficiency of handling high-level corruption cases.

In Serbia, the track record of handling corruption cases presents a complex picture, marked by both notable progress and significant challenges that highlight the need for continued and enhanced efforts. The landscape of corruption control in Serbia, viewed through the lenses of investigations, prosecutions, final judgments, seizures, and confiscations, reflects a journey of mixed trends and ongoing struggles. These mixed trends underscore the necessity for continued and enhanced efforts to combat corruption comprehensively.

When it comes to total number of cases initiated for corruption crime cases, criminal charges were filed against 21.595 persons, orders to conduct investigations against 1.756 persons were issued, as well as 3.780 indictments were filed, all in period from 2018 until 2022. The total number of convictions in corruption cases between 2018 and 2022 is 1.524.

The investigative phase of corruption cases in Serbia has shown an increased capacity in recent years. Authorities have become more adept at identifying and probing instances of corruption, employing more sophisticated techniques and collaborating with international bodies. This has led to a higher number of cases being brought to light. However, the effectiveness of these investigations is often hampered by some systemic challenges. While there is a clear framework for tackling corruption, the application of these mechanisms can be inconsistent, leading to a variable success rate in bringing cases to a prosecutable stage.

When it comes to prosecutions, Serbia has made strides in addressing lower-level corruption, but high-level corruption cases still leave room for improvement. The prosecutorial services have been more active, with a growing number of cases reaching the courts. Nevertheless, high-profile cases, which often involve powerful political and business figures, could mark a more dynamic trend. This can be attributed to a combination of legal, procedural, and extralegal factors.

Final convictions in corruption cases in Serbia reveal a judiciary that is evolving but still struggling with consistency and impartiality. While there have been significant convictions that underscore the judiciary's potential, the overall number of final judgments in high-level corruption cases still remains low. This inconsistency suggests a judicial system that can be still vulnerable to pressures and requires stronger safeguards to ensure that justice is administered fairly and effectively. The disparity between the initiation of cases and their final resolution points to procedural delays and inefficiencies that need to be addressed to enhance the judiciary's credibility.

Specialisation of public prosecutors for the implementation of financial investigations and engagement of financial forensics in the proceedings of the so-called extended confiscation of property, as well as the use of evidence from criminal investigations when conducting financial investigations in accordance with the Law on Confiscation of Assets Resulting from a Criminal Offence, especially data obtained by conducting special evidentiary actions related to the interception of communications, contributed to better results in the investigation of confiscation of property resulting from a criminal offence from a criminal act.

Since 2019, there has been a noticeable increase in the number of persons included in financial investigations under the Law on Confiscation of Assets Resulting from a Criminal Offence (extended asset forfeiture), as well as requests for permanent asset forfeiture. Namely, in 2019, financial investigations were initiated against 134 defendants, in 2020 against 150 defendants, and in 2021 against 162 defendants, in 2022 against 296 defendants, and from January 1 until June 30, 2023 against 56 defendants. The number of persons against whom TOK filed a request for permanent confiscation of property (extended confiscation) in 2019 was 4, in 2020 9 persons, and in 2021 51 persons, in 2022 against 13 persons, and in the first half of 2023 against 50 persons.

In 2018, the POOC filed indictments against 16 persons, in 2019 against 18 persons, in 2020 against 19 persons, and in 2021, 22 persons were charged, in 2022, 12 persons were charged, while in 2023, until the end of June, indictments were brought against 46 persons for corruption criminal acts.

Seizures and confiscations of assets linked to corruption have seen success, indicating progress in depriving corrupt individuals of their illicit gains. However, the process can be sometimes slow and fraught with legal complications. Effective asset recovery is crucial for both punitive and deterrent purposes, but the current pace and efficiency of seizures and confiscations in Serbia are not yet at the desired level. Legal loopholes, protracted legal battles, and occasionally insufficient inter-agency cooperation can hinder the swift and comprehensive recovery of assets.

There has been a steady track record of disciplinary proceedings in the police, due to violation of official duty from Article 207 (Law on police) – leaks related to planned or ongoing corruption related investigations and ensures that these are sanctioned should they occur. In the period from 01 January 2016 until 23 October 2023 police officers of the Internal control sector submitted: two criminal reports for the criminal offence of Disclosing an official secret according to the Article 369 of the Criminal Code; 21 criminal charges for a criminal offense from Article 98 of the Law on Data Secrecy.

In the period from 2017 to 2023 there were in total: 6623 initiated disciplinary proceedings due to a serious breach of official duty from Article 207 of the Law on Police; 11 initiated disciplinary proceedings due to a serious breach of official duty according to the Article 207, paragraph 1, item 10. - disclosure of confidential information - 11; 22 initiated disciplinary proceedings due to a minor breach of official duty according to the Article 206, paragraph 1, item 3. Negligent and disorderly storage of official files and data.

Regarding the prosecutorial services, there has been no record related to breaches of regulations preventing disclosure of confidential information.

Serbia adopted amendments to the Criminal Code on 23 November 2016 which further defined and better systemised the criminal offences against economic interests including the criminal offence of "abuse of position of a responsible person", for the purpose of more efficient criminal prosecution.

Serbia has created a steady track-record of prosecuted persons for criminal offences against economic interests. In the period from 2016 until June 2023, the POOC issued orders to conduct investigations against 210 persons (2016 - 13, 2017 - 45, 2018 - 53, 2019 - 41, 2020 - 28, 2021 - 30, 2022 - 29, first half of 2023 - 2) and filed indictments against 121 persons (2016 - 26, 2017 - 31, 2018 - 30, 2019 - 14, 2020 - 16, 2021 - 9, 2022 - 19, first half of 2023 – 65) for committing economic crimes. When it comes to total number (which includes abovementioned data) of cases initiated for economic crime cases, criminal charges were filed against 21.529 persons, orders to conduct investigations against 2.704 persons were issued, as well as 6.973 indictments were filed, all in period from 2016 until June 2023.

While Serbia's track record in handling corruption cases shows that there has been considerable progress, especially in terms of increased investigations and lower-level prosecutions, the overall effectiveness and efficiency in tackling high-level corruption remain areas with room for improvement. The mixed trends underscore the necessity for sustained efforts to strengthen the independence and capacity of the judiciary and prosecutorial services, enhance transparency, and ensure that the legal framework is robust enough to handle the complexities of high-level corruption. The continued and enhanced fight against corruption in Serbia is essential to build public trust, ensure fair governance, and foster a culture of integrity.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The stakeholders responsible for this measure are the Ministry of Justice, High Judicial Council and High Prosecutorial Council, i. e. for the track record of effective and efficient investigations, prosecutions, final judgements, seizure, and final confiscations in corruption, including high-level corruption cases.

The final beneficiaries of the measure are the citizens of the Republic of Serbia that will be affected by an improved fight against organised crime and corruption; and more effective and efficient work on the cases of organised crime and corruption.

The investments that are eventually required to implement the reform:

The overall investment in this field is the overall budgeting for the institutions responsible for effective and efficient investigations, prosecutions, final judgements, seizure, and final confiscations in corruption

A brief explanation of all required achievements to accomplish this step:

Serbia aims to constantly improve its **track record of efficient investigations, prosecutions, final judgements, seizure, and final confiscations in corruption, including high-level corruption**. Serbia has increased the staffing in the special departments dealing with corruptions, improved their forensic capabilities. It has also set up new task forces were investigating corruption offences. The Law on the organisation and jurisdiction of state authorities in suppression of organised crime, terrorism and corruption is in force. Serbia will also take further steps to ensure effective coordination among law enforcement agencies and improve the transparency in the anti-corruption work of the prosecution service and courts. This will all result in a better track record in the field of repression of corruption, including the high-level one.

Subarea 9.6: JUDICIARY

Reform 9.6.1 Reform of justice system

Step 1 - Number of elected judges and number of public prosecutors increased by 10% (December 2025)

Challenges:

In the context of **strengthening judiciary's independence and autonomy**, the adopted amendments to the Constitution of the Republic of Serbia opened up the way for further harmonisation of the relevant legal framework with the provisions of the amended Constitution that was done through the adoption of the Law on Organisation of Courts, Law on Judges, Law on Public Prosecutor's Office, Law on High Judicial Council (HJC), Law on High Prosecutorial Council (HPC) in February 2023 and their subsequent application from 10 May 2023. At the same time, the Law on Judicial Academy is in the pipeline. In the meantime, the HJC and HPC adopted 34 bylaws stemming from the new legal solutions. The remaining two ones, mainly the Court Rules of Procedure and the Rulebook on Administration in Public Prosecution Offices are in the final phase of adoption.

In accordance with the new legislation, the election of new members of the HJC and the HPC was carried out on 8 May 2023. The implemented measures ensure the independence of the judiciary from political influence, restricting influence of legislative and executive powers in the process of recruitment, selection, appointment, transfer and termination of the judge's office, presidents of the courts, and public prosecutors, and which must be based on precise criteria. Constitution and judicial laws guarantee, to all candidates, without discrimination, entrance in the judiciary based on merit-based objective criteria, fair in selection procedures, open to all suitably qualified candidates and transparent in terms of professional and public scrutiny. The role of the HJC and HPC in terms of the management of the judiciary, as well as in the supervision and control of the judiciary has now been strengthened, their composition encompasses at least 50% of members from the ranks of judges and public prosecutors, while elected members of the two Council are now elected by their peers and represent different levels of jurisdiction. The lay component is also included in both councils.

Presently, the total number of judge positions is 2,718, while the total number of public prosecutors is 689.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The stakeholders responsible for this measure are the High Judicial Council and High Prosecutorial Council, which will be primarily accountable for the increase of the number of elected judges and number of public prosecutors.

The beneficiary of the measure are the judges and prosecutors, both the newly elected ones as well as their peers that will be directly affected by the increase of the overall administrative capacities in the judiciary once this measure is implemented.

Finally, the final beneficiary of the measure is the citizens of the Republic of Serbia that will be affected by an improved access to justice, faster processing of cases, reduced backlog, and more efficient handling of legal matters. This will also bring enhanced legal protection thorough enforcement of laws, regulations, and court decisions, ensuring that citizens are treated fairly under the law.

The investments that are eventually required to implement the reform:

The average salary per judge (of all courts of general and special jurisdiction) is great gross (how much does one court cost the employer) RSD 305,028.00, while small gross (salary or salary, including taxes and contributions at the expense of the employee) is RSD 264,896.00; and the net one is RSD 185,692.00. The annual joint funds for salaries of all elected judges are amounting to RSD 9,901,208,880. The estimated funds needed for 10% of newly elected judges in 2025, i. e. for 271 courts, is RSD. 991,951,000.00. The salary increases approved by the Budget Law for 2025 is not included in these estimates.

The decision on the number of public prosecutors systematized 894 positions, out of which currently 689 public prosecutors perform their duties. In the Appellate public prosecutor's offices 56 positions are systematised, out of which 43 are filled and 13 vacant. The average salary is RSD 330,000.00 gross. The Vacant positions require 4,290,000 RSD +10%= 4,719,000.00 RSD (+10% in case of salary increase in January 2025).

A brief explanation of all required achievements to accomplish this step:

Currently the number of judges according to the Decision of the HJC is 2,718. The filling the open vacancies in the courts will continue in line with the new legislative framework, with the increase of 10 percent by the end of 2025.

Currently 689 public prosecutors perform their duties. Filling the open vacancies in the prosecution service will thus continue in line with the new legislative framework i.e. the increase of 10 percent by the end of 2025.

Step 2 - Reduce the disposition time (as compared to the situation in 2023) of first instance cases in the Administrative Court by at least 55% (June 2027).

Challenges:

Judicial efficiency shows a positive trend for civil, commercial, and criminal cases, while there are serious challenges in the handling of administrative cases. The clearance rate for first and second instance civil and commercial cases between 2021 and 2022, has improved significantly from 74% to 178% for first instance cases, while the disposition time in both instances decreased. A negative trend was however observed on administrative cases. Due to a stark increase in the number of incoming first instance administrative cases, their clearance rate fell from 56% in 2021 to 39% in 2022 and the disposition time increased from 1 089 days in 2021 to 2 095 days in 2023. The total number of pending cases at the end of 2023 was 153 214 (compared to 47 985 in 2020).

A particular challenge is posed by the large number of administrative silence cases and certain abuses of procedural rights by attorneys.

Final beneficiaries and stakeholders involved, implementation plan and responsibilities:

The stakeholder responsible for this measure is the Administrative Court.

The final beneficiary of the measure is the citizens of the Republic of Serbia that will be affected by an improved access to administrative justice, faster processing of cases, reduced backlog, and more efficient handling of legal matters. This will also bring enhanced legal protection thorough enforcement of laws, regulations, and court decisions, ensuring that citizens are treated fairly under the law.

The investments that are eventually required to implement the reform:

The average salary per judge (of all courts of general and special jurisdiction) is great gross (how much does one court cost the employer) RSD 305,028.00, while small gross (salary or salary, including taxes and contributions at the expense of the employee) is RSD 264,896.00; and the net one is RSD 185,692.00. The annual joint funds for salaries of all elected judges are amounting to RSD 9,901,208,880. The estimated funds needed for 10% of newly elected judges in 2025, i. e. for 271 courts, is RSD. 991,951,000.00. The salary increases approved by the Budget Law for 2025 is not included in these estimates.

A brief explanation of all required achievements to accomplish this step:

In order to achieve this step, the changes of the normative framework will be needed. In that respect it is planned that the Law on Access to Information of Public Importance is amended which is to serve as a legal basis for the backlog reduction.

10 GENERAL CONDITIONS FOR PAYMENTS (FOR ALL POLICY AREAS)

Implementation of a credible stability-oriented macroeconomic policy

In November 2022 the Government of Serbia and the IMF reached the staff-level agreement on the third review under the Policy Coordination Instrument (PCI) and a 24-month Stand-By Arrangement (SBA) amounting to EUR 2.4 billion. IMF Executive Board approved the agreement in December 2022.

The IMF noted that after a strong recovery from the pandemic, Serbia is now facing challenges from the adverse global and regional environment, driven mainly by rising food and global energy prices. In addition, the IMF noted that the higher energy imports costs along with shortfalls in domestic electricity production, as well as weakening external demand are expected to widen the current account deficit to about 7 percent of GDP, both in 2022 and 2023. Contrary to expectations, in 2023, a current account deficit of only 2.6% of GDP was recorded, primarily influenced by a decline in the trade deficit due to lower energy imports, as well as an increase in the surplus from services exchanged with foreign countries. Despite the adverse global environment, financial sector stability has been maintained and the exchange rate has remained stable.

Finally, the IMF assessed that the exposed weaknesses in Serbia's energy sector require complementary reforms to ensure energy security, put the energy sector on a sound financial footing and promote energy conservation. Meeting these goals will require further adjustment in energy tariffs as needed, while targeted support for vulnerable households should be expanded. The approach proposed is to restructure the energy sector, improve production and investment planning, and strengthen financial oversight and governance in the energy state-owned enterprises.

On 12 October 2023, the European Commission adopted the annual enlargement package. The EC Report on Serbia stated that, as regards the two economic criteria for EU membership, Serbia is between a moderate and a good level of preparation and has made some progress in developing a functioning market economy. Serbia is moderately prepared and has also made some progress in coping with competitive pressure and market forces within the EU.

Macroeconomic developments in the past period are strongly influenced by the exit from the crisis caused by the pandemic and the entry into a new crisis due to the conflicts in Ukraine. In the past, more than a year and a half, the economy has been affected by high food and energy prices, weaker growth of the most important trading partners and tightening of financing conditions. Nevertheless, even in such circumstances, the Serbian economy has shown sufficient resilience, bearing in mind challenges and uncertainties it is faced with. Economic activity in 2023 was higher by 2.5%, according to the SORS data, which is fully in line with the initial projection of the Ministry of Finance.

Observed from the production side, according to the SORS data, the increase in the created GVA in 2023 was recorded in almost all economic sectors. In 2023, the service sector also played the role of the dominant carrier of economic activity growth. Growth was diversified and achieved in most service activities, and particularly strong in information and communication as well as technical and professional services. Despite the weaker external demand, the industry continued its positive dynamics during 2023 and recorded an increase of 2.3%, primarily due to the activation of new production capacities, but also the recovery of electricity production. Growth was also recorded in construction as a result of increased private investment and continued investment in infrastructure projects, and partly due to a lower base in 2022. In addition, agricultural production was above average and achieved a growth of 8.1% compared to the previous, dry year.

From expenditure side, GDP growth in 2023 was driven by net exports and additionally supported by growth in investments and private consumption. The activation of new production capacities resulted in a real growth of export activity of about 2.4% despite reduced external demand. On the other hand, the drop in the import of energy products and lower import of raw materials resulted in a drop in real import activity of 1.1%. The increase in wages, both in the private and in the public sector, higher employment and stable growth of pensions, resulted in the continued growth of real private consumption, which was estimated at 0.8%. Investment activity was higher by about 3.9% as a result of the increase in production capacity of the economy,

and it was additionally supported by the continuation of works on the implementation of infrastructure projects in the field of road and railway infrastructure, as well as significant investments in energy.

In relation to the labour market, according to LFS data, the unemployment rate of the population aged 15 years and above totalled 9.1% in Q4-2023, followed by the employment rate at the level of 50.3%. According to the most recent data, the unemployment rate in Q2-2024 dropped to the lowest level so far 8.2%, while the employment rate increased to 51.4%. According to administrative data, in 2023 employment increased by 2.3% y-o-y. Annual employment growth remained positive in most sectors. From January to July 2024 employment increased by 0.3%. Nominal net wages rose by 14.8% y-o-y in 2023 while real net wages increased by 2.4% y-o-y. In the period January-June 2024, nominal net wages increased by 14.7%, while real net wages increased by 9.2%.

In terms of the external sector, in 2023 the current account deficit narrowed substantially to EUR 1.8 billion compared to EUR 4.1 billion in 2022. In 2023, the deficit stood at 2.6% of GDP as compared to 6.9% in 2022. Net FDI inflow covered 233.1% of the current account deficit. In 2023, total volume of foreign trade of goods decreased by 1.2% and amounted to EUR 62.5 billion. In this period exports of goods grew 3.7% y-o-y, while imports decreased by 4.8%. The drop in imports expressed in euros is primarily the result of lower imports of the most important energy sources (oil, electricity and natural gas) by almost 1.8 billion euros, due to the drop in prices of energy sources on the world market, as well as due to lower imported quantities and a high base effect.

As regards monetary developments, total inflation measured by the consumer price index, whose slowdown started in April 2023, continued to slow down, and since May 2024, it has been within the central bank's target range of 3% +/- 1.5 pps. Core inflation (excluding energy, food, alcohol and tobacco) also continued to slow down in the observed period. The National Bank of Serbia did not change the key interest rate until June 2024, while it was decreased from June to September by 0.75 pps to the level of 5.75% in September. Foreign exchange reserves of the National Bank of Serbia continued to grow and, at the end of August, reached a new peak of EUR 28.2 billion, covering 7.4 months of imports of goods and services. In July, domestic credits of the banking sector increased by 4.9% compared to the same period last year. The annual growth of credit to households accelerated from the end of 2023, and in July 2024, it was 5.9%. The share of problematic credits decreased at the end of 2023 to 3.2%, while in July 2024, it dropped to the lowest level so far - 2.8%. As regards liquidity indicators, both the share of liquid assets to total assets and the share of liquid assets to total short-term liabilities increased constantly and continued to increase during 2024. In terms of fiscal developments, in 2023, compared to 2022 public revenues recorded a growth of 11.9%, mostly thanks to higher revenues from direct taxes and contributions, while expenditures recorded a growth of 9.8%, mostly due to higher pensions and general government wages. During 2023, there was a temporary growth of subsidies in terms of the share of the GDP, caused by higher expenditures for overcoming the negative effects of the growing prices of energy products, partially financed from the EU grants, and additional subsidies in agriculture and transport sectors. In the upcoming medium-term, the high level of investment in the public infrastructure is expected to continue, particularly after the decision to host the Belgrade Expo 2027. As a result, in 2023, the general government budget recorded a deficit of 2.2% of GDP, as compared to a deficit of 3.2% of GDP in 2022 and a 2023 deficit target of 2.8%. At the end of February 2024, central government debt stood at 48.6% of GDP, while at the end of July 2024, the central government debt was 50.0% of GDP, down from 52% at end-2023, mainly as a result of higher nominal GDP estimate for 2024. In January 2024 general government surplus amounted to 27.3 bill RSD.

Satisfactory progress in the implementation of the PFM Reform Program

The Public Financial Management Reform Program for the period 2021-2025 (PFMRP) was adopted by the Government of the Republic of Serbia in June 2021, following the public debate process. The strategic framework for PFM reforms has been established by the PAR Strategy 2021-2030. Two major diagnostic assessments in the area of PFM were carried out in 2021 – the PEFA assessment by the World Bank and the full PAR monitoring exercise, including the PFM area, by SIGMA, which were used as inputs for the preparation of a new PFM Reform Programme.

The PFMRP 2021-2025 contains key reform measures within each specific objective, while certain PFM subsystems are updated with additional planning documents and operational plans.

In 2023, following internal consultations and consultations with the European Commission, the PFM Working Group was fully committed to preparation of the Amendments and Additions of the PFM Reform Program.

The revised Program covers the timeframe 2023-2025 and following the public consultations as well as taking into account comments received from the European Commission, the Amendments and Additions to the Program were adopted by the Government on December 25th 2023.

The PFM Implementation Report for 2023 has been adopted by the Government in April 2024 in line with the Law on Planning System of the Republic of Serbia.

In 2023, the trend of increasing the number of medium-term plans prepared compared to the previous period continued. In the 2023-2025 planning cycle, 26 medium-term plans of medium-term planning obligors were adopted, which fully realized the activity of providing mentoring support for the development of medium-term plans at the national level.

The Public Policy Secretariat held a series of internal trainings for employees who were involved in the development of the medium-term plan of certain entities subject to medium-term planning, and provided direct support to the coordinators of the development of medium-term plans in institutions subject to medium-term planning.

In addition to support provided in the development of new medium-term plans, the Public Policy Secretariat also provided direct support for the development of progress reports in the implementation of medium-term plans for 2022. In this regard, 17 reports out of 22 adopted medium-term plans for the 2022-2024 planning cycle were prepared and published.

Regarding the medium-term planning at the local level, there was a shift in the number of adopted medium-term plans compared to the previous cycle. For the planning cycle 2023-2025, 26 LGUs adopted their medium-term plans, compared to seven in the previous cycle. In addition to the general support provided by the Public Policy Secretariat, Standing Conference of Towns and Municipalities of Serbia, through the EU Exchange Program 6, supported professional support for the development of 10 medium-term plans during 2023.

In 2023, the Tax Administration adopted the Final Report on the implementation of the project "Consulting Services for Business Process Re-Engineering of Tax Operations, Including Training of Trainers to Introduce the New Functions to the STA Operational Units", the work on the preparation of the document "Plan for the introduction of the new STA business model with an action plan" was completed and the Project Board was established.

Within the framework of the IPA 2021: EU PFM Flexible Facility, financed by the European Union to support Public Finance Reform, the Tax Administration was approved for a project related to component 1 - Strengthening the legislative and institutional framework and capacity of the Ministry of Finance and the Tax Administration to meet the EU pre-accession requirements for development of a system for exchanging information on value added tax (VIES system).

During 2023, the project team of the Tobacco Administration worked on defining new functionalities of the Integrated Information System of the Tobacco Administration, which will be established through the upgrade of this system in 2024 and 2025.

In 2023 in the field of public procurement, two new versions of the Public Procurement Portal were developed and published in 2023, and each of them brings some new opportunities to clients and bidders. Public Procurement Office worked to strengthen the capacity of contracting authorities and bidders regarding the implementation of the Law on Public Procurement and the use of the Public Procurement Portal through organizing trainings on various topics with a special focus on public procurement that includes environmental (green public procurement) and social aspects. Also, the Office conducted several trainings for the preparation of exams for public procurement officers with the aim of improving the knowledge and understanding of public procurement among persons dealing with public procurement.

The legislative framework in the field of public procurement was further improved by the adoption of the Law on Amendments to the Law on Public Procurement, which was published in the ("Official Gazette of the RS", No. 92/23 on 27 October 2023. Amendments to the Law on Public Procurement are aimed at increasing the transparency, efficiency and economy of public procurement procedures, greater impact on the environment in accordance with the goals defined by the Green Agenda for the Western Balkans, strengthening competition on the public procurement market, reducing the risk of irregularities in the system of public procurement and stronger control by authorized institutions.

In 2023, within the framework of management of EU funds, the process of closing the program according to the model of indirect/decentralized management from the perspective of 2007-2013 was completed, which will continue for the perspective of 2014-2020. The management system is largely adapted to the perspective of 2021-2027 and based on that, it is expected that the Republic of Serbia will be entrusted with the responsibility of managing funds from the financial allocation for all years within the aforementioned perspective.

Employees of the Department for EU Funds Management of the Ministry of Finance, in order to improve the knowledge of persons dealing with the system of indirect management of EU funds, attended trainings provided by the National Academy for Public Administration during 2023.

In 2023, Central Harmonization Unit Department of the Ministry of Finance was focused on improving the legal framework in the area of internal financial control in the public sector, as well as on the modernization of training in this area. Work on training modernization led to the introduction of a new concept of basic training for Financial Management and Control - FMC. In order to bring the field of internal control closer to as many employees as possible in the public sector, video trainings have been prepared, which are intended for managers, coordinators for FMC and internal auditors.

Department - Central Harmonization Unit, with the support of the project "Public Finance Reform – 2030 Agenda" and in cooperation with support of the German development aid implemented by GIZ, organized trainings in 2023 with the aim of improving and acquiring the knowledge of internal auditors. With the support of Standing Conference of Towns and Municipalities of Serbia and the RELOF 3 project, at the end of 2023, two workshops were held for internal auditors at the central and local level, where representatives of the CHU presented amendments to the regulations governing the area of IA.

In 2023, the State Audit Institution (SAI) fulfilled four out of five result indicators. In the mentioned period, 306 audit reports were prepared, and with this, the SAI increased the representation of business audits (regularity and expediency) in the SAI's annual audit program for 2023. In October 2023, the SAI presented the Report on the audit of the Final Account of the budget of the Republic of Serbia for 2022 at the 38th session of the Committee for Finance, State Budget and Control of Public Spending.

Three sessions of the Committee for Finance, State Budget and Control of Public spending were held outside the headquarters, in Golubac on July 14, in Donji Milanovac on October 16, and in Zaječar on October 18, 2023.

In 2023 the Operation Improving PFM for Green Transition, financed by the World Bank (IBRD) and AFD 2023-2027, has started, targeting actions for greening of PFM in the areas of budget planning, capital investments, fiscal risks, management of public assets and public procurement.

In 2024 SIGMA assessment of the functioning of public administration in the Republic of Serbia has commenced, including PFM topics. Findings of this assessment will be valuable contribution to the further improvement of the PFM system in Serbia and preparation of the new PFM Reform Program.

In August 2024, the Ministry of Finance addressed a request to the World Bank for the preparation of PEFA analysis in the first half of 2025; the findings whereof will also serve as a basis for the development of a new Program for Public Finance Management for the period 2026-2030.

Satisfactory progress with regard to the public availability of accessible, timely, comprehensive, and sound budgetary information.

The Government of the Republic of Serbia recognises transparency and budget oversight as one of the key elements of good governance and systematically implements measures to further improve this area. The PAR and PFM strategic framework set out a series of reform measures whose implementation has contributed to greater transparency and budget oversight such as greater transparency of budget documentation, more effective process of budgeting, prioritisation and control of spending. The latest PEFA (2021) Report, recognises higher credibility and comprehensiveness of the budget documentation, compliance with the budget calendar and external audit coverage among the main improvements between PEFA assessments in 2015 and 2020. SIGMA assesses that the transparency and comprehensiveness of budget reporting and scrutiny has improved, given greater parliamentary consideration to the annual financial statement. Budget documentation is comprehensive and this provides key fiscal information to the public. The Budget proposal is accordingly

presented using all relevant budget classifications, namely economic, functional, and organisational and program classifications. As part of the budget documentation, the Ministry of Finance prepares the Explanatory Note that consists of the discussion related to the general part of the budget and the program information. Transparency of budget documents has been increased by introducing a legal obligation to publish programme information, as well as drafting and publishing the annual report on the performance of budget programmes. In 2023 all budget users prepared a programme performance report. Although the quality of program information varies across institutions, the quality and structure provided by most of them adhere to the highest standards. Since the 2017 Law on Budget, project loans for financing large infrastructure projects were integrated into the budget, which makes it more comprehensive and transparent. Expenditure and revenue execution is reported in the course of the year only by economic and program classification, but the annual financial statements are presented along the full spectrum of prescribed classifications and are directly comparable to the budget. Comprehensive budget execution report containing detailed information on expenditure and revenue from all sources of all budgetary users is compiled at year-end based on the consolidated financial data.

Most of the key fiscal and budget reports are publicly available and timely published. The budget preparation takes place in accordance with the budget calendar defined in the Budget System Law. The budget calendar is generally respected. The Law on the Budget is adopted in a timely fashion before the end of the fiscal year and budget users have enough time to complete the budget assessment. In 2021, for the first time, a public hearing on the budget law was held, where the Budget Law of the Republic of Serbia for 2022 was presented to representatives of the non-governmental sector and MPs before the debate in the National Assembly. All those present had the opportunity to ask questions and make comments regarding the Law on the Budget of the Republic of Serbia for 2022. This good practice was continued during the process of adopting the budget for 2023. The budget proposal and enacted budget are accessible to the public and published on the websites of the Government of Serbia and the National Assembly on the day of adoption.

The Ministry of Finance recognises the importance of the citizen budget as an instrument for presenting key budget information to the general public and regularly publishes the Citizen's Guide to the Budget. The practice of public hearings on the Draft Law on the Budget of the Republic of Serbia was introduced in the National Assembly, and in this way the public was enabled to become familiar with the law on the budget. In-year budget execution reports are consolidated and published each month within the Public Finance Bulletin prepared by the MoF. Mid-year execution reports are prepared during the year but not published, while year-end government financial reports are published usually in the second half of the previous year. The transparency of public finances at the local level has also been improved by the "Open Budgets" platform, through which over 90 units of LSG have made data on the planned budget, revenues and expenditures publicly available to the citizens.

Legislative, institutional and procedural preconditions for effective budget oversight are in place. External audit and scrutiny in Serbia are discharged by the State Audit Institution (SAI) and the National Assembly. The quality of external audit and oversight is continuously improving. The SAI annually conducts a broad range of financial, regularity and performance audits, including audit of the Final Account of the Republic of Serbia. The European Commission Report on Serbia (2021 and 2022) and the PEFA Report (2021) recognise the increased coverage and quality of the audit of public funds as well as the further improvement of the implementation of recommendations by audit subjects.

The latest Open Budget Index (OBI) report for Serbia refers to the process of budgeting for 2021 and provides an overview of quality and timeline of budget documentation produced during 2020. Regarding budget transparency score, Serbia rates 46 out of 100, below its highpoint 54 in 2010 but more than a global average score of 45. The OBI report acknowledged prompt publication and content of the budget proposal, enacted budget and in-year reports, but overall budget transparency score was downgraded due to belated publication of the Fiscal Strategy, mid-year reports prepared only for internal use and lack of year-end reporting. Since the last OBI survey year-end reports have been regularly produced and published. Accordingly, it is expected that the next OB survey will bring improvement of the budget transparency score. The budget oversight is rated 54 out of 100, with audit oversight deemed adequate while strengthening the legislative oversight represents the major room for improvement in this area. Relevant budget documentation (Law on budget for 2024) was published on 26 October 2023 on the web-site of the National Parliament.

PART 3: COMPLEMENTARITY AND IMPLEMENTATION OF THE REFORM AGENDA

11 COMPLEMENTARITY WITH IPA III

Policy Area 1: Business environment and private sector development

In the period from 2021 - 2024, more than EUR 18 million of IPA funds has been allocated for the policy area business environment and private sector development. Support is focused on improving market integrity and environment conducive to market operators including the strengthening of agricultural sector as well as enhancement of capacities for implementation of Public Procurement legislation.

The funds will contribute to higher capacities of the Commission for State Aid Control (CSAC), transposition of the best practices from EU Member States and implementation of the Law on State Aid Control with the aim to accelerate the implementation of the secondary legislation. In the field of Agriculture and rural development, the emphasis is on achieving higher competitiveness in order to withstand international market competition, harmonization with the EU legal framework, as well as for harmonization with relevant phytosanitary standards and standards in the field of food safety and veterinary. The public procurement system will be supported through introduction of new modules and functionalities on Public Procurement Portal, improvement of knowledge of economic operators in Public Procurement system, development of practical tools for facilitating application of Law on Public Procurement. The support has been structured in a way to contribute, inter alia, to prevention and fighting against corruption and irregularities in public procurement system.

In compliance with the IPA III assistance the Reform Agenda defined priority measures and steps related to the enhancing investment and development opportunities for the private sector and entrepreneurs through further development of business-related legislation, alignment of the state aid schemes with EU approved Action plan as well as further strengthening of transparency regarding all projects contracted under intergovernmental agreements. With the aim of further development of the science and innovation ecosystem which was not supported so far from IPA III, reform measures focus on increase of private sector expenditure in research and innovation, further increase of funding for researchers and innovative companies, full alignment with the ERIC Regulation, further advancements on the European Innovation Scoreboard and improvement of the RDI Regulatory Framework. The field of science will also be tackled through development of biotechnology in the form of provision of venture capital funds for biotech start-ups, expansion of international cooperation and further investments into scientific and research equipment. In the agricultural sector emphasis was placed on land consolidation and surveillance procedures as well as alignment of legal framework on food safety, veterinary and phytosanitary. The competitiveness of the agriculture and rural development sector will be further enhanced by adopting a legal framework for organic production and improving rural infrastructure from the national budget.

Policy Area 2: Green and digital transition

Green transition

From 2021 to 2024, a total of 171,6 million euros from IPA funds were allocated to the support to energy sector. IPA funds has been allocated for improvement of energy sector by enhancing capacities for energy planning as well as development and implementation of energy efficiency measures. In addition, further strengthening of capacities for implementation of eco-design and energy labeling regulation and increase of capacities of market inspection and market surveillance authorities is envisaged. Also, 165 million euros within IPA 2023 Annual Action Plan is aimed to mitigate immediate and short-term negative impacts of the energy crisis.

Within WBIF public sector blending investment priority "clean energy", €70.3 million of investment grant funds have been allocated for construction and procurement works aimed at enhancing and increasing electricity production from renewable energy sources, improving electricity transmission at national and regional level and modernization of Serbia's electricity distribution network. Specifically, investment grant funds are earmarked for electricity production from wind farms, thereby limiting the operation of existing thermal power plants and consequently reducing air pollution, digitalization and modernization of electricity distribution network, continued reliable electricity production for the next 30 years from the Vlasina hydro

power plants, increase of electricity production through the modernization of Bistrica hydro power plant and modernization of the existing overhead transmission line network between Bajina Bašta (Serbia) Pljevlja (Montenegro) and Višegrad (BiH), that will lead to more stable and reliable electricity supply for both the population and economy, as well as an increase in cross-border electricity trade.

In addition to EU investment grant funds, WBIF technical assistance grants have been allocated for the preparation of infrastructure projects for the investment realisation in the areas supporting renewable energy sources and electricity transmission. Specifically, technical assistance has been provided for the development of project- technical and tender documentation for the construction of solar power plants "Kolubara A" and "Morava", the integration of renewable energy generated by solar and heat pumps into Novi Sad district heating system, as well as for construction of Central Balkan Electricity Transmission Corridor (phases 1 and 2). As beneficiary, Republic of Serbia has been also benefitting from WBIF TA granted for development of integrated Feasibility Study and ESIA for the gas interconnector North Macedonia- Serbia.

Reforms encompassed by the Reform Agenda will complement assistance provided by IPA III. Namely, the Reform Agenda includes further legal alignment in electricity sector, measures related to energy poverty reduction and electricity price in line with the agreement with IMF and the establishment of framework for Just Transition Fund. In addition, the Reform Agenda envisages measures and steps related to the implementation of relevant national legislation aligned with RED II Directive and designation of a single contact point as well as implementation of Energy Efficiency Directive and Energy Performance of Building Directive.

Digital transition

In the period from 2021 - 2024, EUR 3 million of IPA funds has been allocated for the policy area digital transition and implementation of electronic services and information security in public administration. From the WBIF instrument, the amount of 33.400.000 euros was allocated for the digital sector for the improvement of the Broadband Connectivity for Rural Schools in White Zones. More precisely, the funds are approved for the broadband infrastructure to white zones in rural Serbia by connecting schools and public institutions to the mid-mile network, and act as a focal point and incentivize the private sector to deploy last-mile infrastructure to surrounding households.

In compliance with the IPA III assistance, the Reform Agenda encompasses harmonisation of legal framework in order to implement reforms related to security of digital infrastructure and 5G roll-out, further digitalization of public services and administrative procedures for citizens and businesses, strengthening of adult education and development of a comprehensive framework for cyber security and further alignment of national legal framework with EU's Artificial Intelligence Act is envisaged and the digitalization of spatial and urban planning procedures finalized.

In the period from 2021 – 2024 from the IPA funds for the transport sector 11.200.000 euros was allocated. The funds are allocated for the improvement of road maintenance system through implementation of the Service Level Agreement (SLA) and further development of Performance-Based Maintenance (PBMC), study of the volume of passenger transport in the Republic of Serbia within the public service obligation (PSO), efficient and effective implementation of Railway corridor X modernization project, and along road TEN-T network and tachograph simulators as well as development of an online platform for assessing candidates pursuing the ADR driver training certificate for dangerous goods transportation.

These interventions are funded in order to achieve improved efficiency and service delivery of transport sector, to promote smart and sustainable transport and especially providing support to introducing EU-compliant technical standards on road Core network and also increase safety on the road network, to improve implementation of national and EU regulations for commercial vehicles and transportation of dangerous goods in Serbia.

Additionally, from the WBIF instrument, more than 300 MEUR was allocated for the improvement of the rail infrastructure as well as improvement of the water-borne transport and safety of navigation. More precisely, the funds are approved for the investment continuation of the construction and modernization of the Belgrade – Nis project, removal of the sunken vessels from the Danube, Prahovo section and preparation of the documentation for the modernization of Stalac – Kraljevo railway line.

In compliance with the IPA III assistance the Reform Agenda contains measures related to the Intelligent Transport System (ITS) and e-freight with the aim to implement ITS frameworks and standards for road and

rail. Taking all aforementioned in consideration it could be noted that indicative reforms represents a continuation of actions that already have a solid ground in previous IPA programming years.

Policy Area 3: Human capital

Advancements in the area of human capital have been extensively supported from IPA III Programming Framework. From the Annual Action Plans programmed thus far, 50,5 million EUR of IPA funding has been allocated for improving the health care system's ability to react in emergency situations, developing the policy framework and institutional mechanisms for social protection, enhancing the legislature underpinning the labour market, and enabling support for the relevance, quality and inclusion of the education system through budget support. In addition, a total of 100 million EUR has been allocated for the IPA multi-annual Operational Programme 2024-2027, enabling support for establishing the Youth Guarantee, further developing the education system for employability, providing social housing, implementing the deinstitutionalisation process, and developing integrated social protection services in the community.

Investments from the WBIF have supported development of social infrastructure in the Republic of Serbia. The WBIF has thus far provided approximately 56 million EUR to enable the construction of the "Tiršova 2" children's hospital and the new campus for the Electrical Engineering and Technical Faculties of the University of Belgrade.

Reforms envisaged under this Facility are to compliment the development of the legal framework for the labour market, further support outcomes belonging to the Youth Guarantee, and connect to Serbia's efforts to develop primary and secondary education, including substantial reforms in vocational education and training.

Policy Area 4: Fundamentals

Policy area on Fundamentals is encompassing topics covered mainly by Justice (Judiciary, Fight against Corruption, Fundamental Rights) and Home Affairs (Fight against organized crime, Security and Migration) sectors. During the 2021-2024 period the EU has provided significant support to the Justice sector through IPA III instrument, amounting to 34.5 million EUR from the IPA national action programmes. The financial assistance focuses on important reform priorities starting with IPA2022 Sector Budget Support programme aiming to further strengthen independence, efficiency and management of human resource in judiciary. Beside this, assistance is being provided in the freedom of expression area by strengthening environment for professionalism and media market, as well as to enhanced pluralism and diversity of media content and digital literacy. Additionally, support will be provided for strengthening of the legal, institutional and policy framework under juvenile justice and improved medical treatment of prisoners with mental health issues and increased implementation of alternative sanctions and post-penal care. With regards to the Home Affairs sector, in the period from 2021 to 2024 the EU support from the IPA III national action programmes amounts to 3.5 million EUR. The support focuses on enforcement of fundamental rights of vulnerable categories such as Internally Displaced Persons (IDPs) and returnees upon readmission agreements by provision of legal aid and information relevant for their access to justice as well as by economic strengthening of IDPs opting for return.

Reforms encompassed by the Reform Agenda will complement assistance provided so far by focusing on areas such as national minorities, organized and serious crime, security and migration challenges, prevention and fight against corruption and further complementing reform activities in the areas of justice system and media. The reforms are aiming to further align the strategic and legal framework according to the EU and international standards in these areas as the starting point which is to be followed by implementation and track record geared towards achieving progress in fulfilling defined indicators and targets.

12 INVESTMENTS UNDER WESTERN BALKANS INVESTMENT FRAMEWORK (WBIF)

As a joint initiative of the EU, International Financial Institutions, Bilateral Donors and the its beneficiaries, the Western Balkans Investment Framework (WBIF) is one of the major instruments that contributes to scaling up investments in transport, energy, social and digital infrastructure with a view to spur the socio-economic growth of the region and its convergence with the EU.

Bellow is an indicative list of projects per sector which will be proposed for financing from WBIF in line with the relevant national and WBIF procedures.

1. Transport

The Economic and Investment Plan for the Western Balkans (EIP) includes investments in the transport sector aimed at improving core transport corridors along the extensions of the Trans-European Transport Network (TEN-T) to bring them into alignment with EU standards. The goal is to facilitate trade, promote market integration, stimulate cross-border trade and boost economic growth within the region. Additionally, the EIP aims to promote an integrated regional transport market based on EU legislation and standards, in collaboration with the Transport Community, to simplify border crossing procedures and support the reform of railway systems, ultimately integrating the Western Balkans and EU transport systems. The EIP endorsed flagship investments contribute to the completion of major connections on the indicative extension of the Trans-European Transport Network (TEN-T) core network which are of strategic interest to the Republic of Serbia, region and to the EU. Accordingly, below is an **indicative list of projects** contributing to further development of the transport sector and integration into European transport networks:

- **Reconstruction and modernization of the railway section Valjevo – Vrbnica**

The railway section Valjevo - Vrbnica - border with Montenegro, spanning 210 km, is part of Route 4, connecting the southwestern part of Serbia with Corridor X. The goal of the project implementation is to reconstruct the existing section of the railway Valjevo - Vrbnica - the border with Montenegro, the construction of new electronic signaling facilities on the railway, stations and road crossings, the construction of stable electric traction facilities and the rehabilitation of all undercarriage structures. The preparation of technical documentation was completed at the end of 2022. The Technical control report was approved for the Conceptual design in May 2023, and in the following period, confirmation of the acceptance of the Environmental Impact Assessment Study is expected.

Overall investment volume: 1.340.000.000 EUR

Envisaged timeline for implementation: 2025-2030

- **Reconstruction and modernization of the railway section Brestovac - Preševo - border with North Macedonia**

The project involves the reconstruction and modernization of a single-track, electrified railway line and the installation of modern signaling, safety, and telecommunication systems, covering a length of 135.5 km, designed for speeds up to 160 km/h. The technical documentation is being prepared by IPF8/IPF10.

Overall investment volume: 700.000.000 EUR

Envisaged timeline for implementation: 2026 - 2029

- **Reconstruction and modernization of the railway section Stalać - Kraljevo and Kraljevo – Rudnica**

The project includes the reconstruction of the existing single-track railway with elements of the track designed for speeds up to 120 km/h for the Stalać to Kraljevo section and speeds up to 80 km/h for the Kraljevo to Rudnica section, as well as electrification. The technical documentation is being prepared by IPF10.

Overall investment volume: 726.700.000 EUR (Section Stalać – Kraljevo: 288.500.000 EUR; Section Kraljevo – Rudnica: 438.000.000 EUR)

Envisaged timeline for implementation: 2026 - 2029

- **Reconstruction and modernization of the railway section Ostružnica - Surčin – Batajnica**

The single-track electrified railway line (Belgrade Marshalling Yard) – Ostružnica – Batajnica is part of the main freight corridor on the Pan-European Alpine-Western Balkan Freight Corridor. It is exclusively used for freight traffic of freight trains. Additionally, it is part of the planned bypass for freight traffic around the city of Belgrade and will gain further significance with the construction of the Beli Potok – Pančevo section. At the Resnik station, there is a connection to the Resnik-Požega-Vrbnica-state border section. The technical documentation is being prepared by IPF10.

Overall investment volume: 182.300.000 EUR

Envisaged timeline for implementation: 2027 - 2030

- **Reconstruction and modernization of the railway section Stara Pazova - Šid**

The project involves the reconstruction of both track and all station tracks for speeds up to 200 km/h and the installation of electronic, signaling, safety, and telecommunication facilities, as well as the reconstruction of existing stable traction facilities, the construction of passenger platforms with pedestrian walkways at all official locations, and the grade separation of road crossings. The technical and tender documentation is being prepared by IPF9.

Overall investment volume: 740.000.000 EUR

Envisaged timeline for implementation: 2025 – 2028

Socio-economic convergence of Serbia with the Union

The proposed projects aim to modernize and reconstruct key sections of Serbia's railway network. By improving infrastructure and connectivity, these projects facilitate the transportation of goods and people both within Serbia and EU. The development of the Serbian railway infrastructure is focused on establishing an interoperable network of railway lines that meet the necessary capacity and quality standards for its integration into the Trans-European Transport Network (TEN-T). By upgrading these sections, Serbia aligns its transportation infrastructure with EU standards, facilitating integration into the common European market. This alignment not only improves transport efficiency but also enhances trade flow, contributing to economic growth and convergence with EU economies. Furthermore, an efficient railway substantially reduces transportation costs, further attracting foreign direct investment in Serbia, thus contributing to the creation of new jobs.

2. Human Resources and Social Development

Smart Specialization Strategy of the Republic of Serbia for the period 2020 – 2027 and belonging Action Plan 2023-2025 are key documents adopted by the Government of the Republic of Serbia in order to develop a knowledge-based society. The Strategy is an important instrument for improving the innovation and research ecosystem and directing future investment in industrial areas identified as priority areas in this process. The Strategy includes the plan on guiding the industries that were recognized as priorities during the Strategy development process: Food for Future, Future Machines and Manufacturing Systems, ICT and Creative Industries. Throughout entrepreneurial Discovery Process (EDP), conducted during developing process of new Action Plan of the Strategy for the period 2023-2025, the huge growing importance in the fields of biomedicine, bioinformatics, biotechnology and biodiversity is recognized for the scientific ecosystem in Serbia. In addition, the EDP produced a significant number of initiatives related to the education sector, primarily inclusion of new education profiles and transition from the repetitive, towards more applicable knowledge and skills required by the economy and knowledge-based society. Efforts to advance infrastructure in education are realised in great measure by the provisions of the Education Development Strategy of the Republic of Serbia until 2030, namely its Specific Objective 1.9 (Upgraded Infrastructure and Institutional Network in Preuniversity Education and in Student Standard Institutions) and Specific Objective 2.1 (Improved Quality of Offer, Human Resources and Higher Education Outcomes). Through these two objectives, the Republic of Serbia is realising efforts to significantly increase the number of schools and related education infrastructure that meet modern, EU-level technical standards, providing students and teachers the means for practical, science-based learning and teaching. A central component of transition in this sector is the upgrading of educational, training and research infrastructure in accordance with green and energy efficient principles. Below is an **indicative list of projects** in Human Resources and Social Development:

- **Construction and equipping of the BIO4 campus**

The project encompasses infrastructure works for the construction and equipping of a complex dedicated to life sciences (biotechnology, biomedicine, bioinformatics, and biodiversity). The campus will accommodate 7 faculties and 9 institutes in these fields, as well as a section of the ICT Belgrade Science and Technology Park and companies from the mentioned areas. The campus will also include 7 centres of exceptional infrastructure, as well as congress and multimedia spaces with accompanying facilities.

Overall investment volume: 795.829.496 EUR

Envisaged timeline for implementation: 2023-2027

- **Student Housing**

The project includes the implementation of two sub-projects. Sub-project 1, Student Dormitory in Niš, which involves completing the construction of a dormitory building with a total gross area of approximately 12,000 m². And Sub-project 2, Student Dormitory in Belgrade, which involves constructing a new accommodation block with a gross area of approximately 24,500 m², to be built at the existing location of the "Student City".

Overall investment volume: 48.410.000 EUR

Envisaged timeline for implementation: 2024-2027

- **Zero Energy Renovation (ZER).**

The project involves the reconstruction of 53 outdated school facilities, which the Ministry of Education has selected as a priority, aiming to reduce energy consumption bills by implementing energy efficiency measures. Additionally, the project aims to achieve nearly zero CO₂ emissions by utilizing renewable energy sources and applying principles of sustainable green building and circular economy. The development of an information system with a relational database for the entire school building stock throughout their lifespan is also necessary. This system aims to establish a building passport for all relevant buildings containing comprehensive data necessary for making timely investment decisions and determining priorities.

Overall investment volume: 50.000.000 EUR (5M Design & Supervision + 4Mm Works & Services + 2M Project management)

Envisaged timeline for implementation: 4 years

- **Program for improving energy efficiency in public buildings**

The project contributes to the further renovation and provision of sustainable, efficient and reliable energy supply to selected public buildings, targeting universities and healthcare facilities. The expected outcomes of the project will continue upon previous secured financing that enabled making 35 public buildings more energy efficient and installing solar panels on 125 buildings.

Overall investment volume: 77.680.000 EUR (73.68m Works & Services + 4m Project management + Technical assistance).

Envisaged timeline for implementation: 2024-2029

Socio-economic convergence of Serbia with the Union

Investments envisaged under the WBIF will enable Serbia's advancement in providing the adequate conditions for students across their time in school, from early education all the way through gaining advanced degrees in universities. The focus of the presented investments is to provide an overall environment conducive to learning and embracing the Green Agenda through energy-efficient structures for both learning and housing of students, following in line with the European Union's efforts in develop "smart schools" and "smart energy" concepts in practice.

Additionally, construction of BIO4 Campus encompasses the overall re-design of education, science and research ecosystem in this field, feeding into the overall EU trajectory towards biosciences including biotechnology, genetics and environmental research. They emphasise the citizens' health, combat climate change and drive the economic growth. By fostering innovation, promoting sustainability and aligning with global goals, the Campus directly contributes, not only to better conditions for students, researchers and companies in Serbia, but also expands the overall European capacities in the transformative Bio Revolution.

3. Digital infrastructure

The Digital Agenda for the Western Balkans aims to support the transition of the region into a digital economy and bring the benefits of the digital transformation to citizens and business. Key elements of digital transformation are investments in broadband connectivity, cybersecurity, digitalisation of industry, deployment of electronic services, development of digital skills and enhancing research and innovation in this area. Accordingly, the Republic of Serbia adopted the Strategy for the development of information society and security, the Strategy for the development of digital skills and the Strategy for development of artificial intelligence showing a strong commitment to advance and benefit from digital transformation including artificial intelligence by investing in development of additional digital and broadband infrastructure. Below is an **indicative list of projects** in the field of digital infrastructure:

- **Project for the development of broadband communication infrastructure in rural areas of the Republic of Serbia**

The goal of the project is to provide all households in Serbia with next-generation networks. The first phase of the program will cover 700 rural settlements, close to 120,000 households, and 728 schools. In the second and third phases, an additional 550 of the most remote settlements will be included. It is expected that in the third phase, another 25,000 households will be connected. The first two phases of the project are already supported by WBIF, while the third phase of the project has been proposed within the 10th round of WBIF investment grant. The extension with the component on improvement of digital skills will be considered.

Overall investment volume: 72.300.000 EUR

Envisaged timeline for implementation: 2025 – 2027.

- **Construction of an innovation district in Kragujevac**

The Data Center complex has thus far consisted of two buildings, one housing state and commercial clients, and the other utilized by security service personnel. The new, third component (Innovation District) is envisioned as a creative and innovative digital center with entertainment and sports facilities, where members of the IT community can socialize and work. It will distinguish itself by being open to citizens and visitors. Spanning across 4.5 hectares, the Republic of Serbia constructing nearly 62,000 square meters of Innovation District along with an additional 23,000 square meters of garage space.

Overall investment volume: 61.800.000 EUR

Envisaged timeline for implementation: 2023 –2027

Socio-economic convergence of Serbia with the Union

Improving the Digital Economy and Integration into the European Market through the Digital Agenda for the Western Balkans focuses on unlocking the potential of the digital economy in the region through integration into the pan-European digital market. Projects such as the development of communication infrastructure in rural areas and the construction of an innovation district in Kragujevac contribute to the improvement of digital infrastructure, enabling better internet access, supporting the development of digital skills and innovation, and increasing the competitiveness of economy. Enabled internet access, the development of digital skills and innovation directly lead to increased competitiveness in Serbia and development of underdeveloped regions, thus significantly contributing to reducing socio-economic disparities between Serbia and the EU.

4. Energy

Republic of Serbia has currently been in process of preparation of new energy policy and legal framework in accordance with European Green Deal and Green Agenda for the Western Balkans that support energy green transition. Strong emphasis is put on energy market integration, decarbonisation and clean energy, just transition, increased digitalisation of the system, smart grids, renewable energy, energy efficiency including modernisation of district heating and energy security. When it comes to energy market integration (between Serbia and Western Balkans partners and/or with EU Member States), key area includes electricity transmission. Regarding renewable energy, priority area includes rehabilitation of existing hydropower plants. Accordingly, below is an **indicative list of projects** in the area of energy infrastructure:

- **Reconstruction of HPP Potpeć with the construction of an additional 4th production unit**

Beside rehabilitation of existing generation units, the fourth-generation unit is planned to be added with the 13 MW installed additional power output. It is estimated that the reconstruction of the three generation units in HPP Potpeć, along with the construction of the additional unit will increase annual production of the HPP Potpeć from 223 GWh to 240,1 GWh. This project is proposed within the 10th round of WBIF investment grant.

Overall investment volume: 72.266.934 EUR

Envisaged timeline for implementation: 2025 – 2031

- **Project of Reversible hydro power plant project in Zvornik**

The HPP Zvornik-Boranja possesses an existing facility at the location of the lower accumulation, i.e., the dam with the Zvornik reservoir and and new „upper accumulation" Boranja. The gross head is 340 m. The

implementation of this system depends on the interstate agreement between the Republic of Serbia and Bosnia and Herzegovina. The preparation of a Preliminary Feasibility Study is currently underway.

Overall investment volume: After the finishing of PFS, the preliminary investment value will be known

Envisaged timeline for implementation: TBD

- **Projects of construction of solar power plants (SPP) Kolubara A and Morava.**

Solar power plant Kolubara A will be located in the broader area of the settlement Veliki Crljeni. It is expected that the solar power plant will produce nearly 95 GWh of electrical energy and contribute to the reduction of carbon dioxide emissions (approximately 110,000 tons of CO₂ annually compared to equivalent production in thermal power plants). Solar power plant Morava will be located in the broader area of the settlement Svilajnac. It is expected that the solar power plant will produce nearly 60 GWh of electrical energy and contribute to the reduction of carbon dioxide emissions (approximately 70,000 tons of CO₂ annually compared to equivalent production in thermal power plants). The technical documentation is being prepared by IPF11.

Overall investment volume: SPP Kolubara A: 80.140.000 EUR and SPP Morava: 50.130.000 EUR

Envisaged timeline for implementation: SPP Kolubara A: 5 year (2022 – 2027) and SPP Morava: 5 year (2022 – 2027)

- **Gas interconnector between North Macedonia and Serbia**

The total planned length of North Macedonia – Serbia gas pipeline is approximately 65 km, approximately 23 km in North Macedonia (Klechevce - Sopot - border with Serbia), and approximately 42 km in Serbia (Serbia/Macedonia border -Vranje area). By construction of this gas pipeline with corresponding main metering and regulation stations, conditions will be created for building distribution gas pipelines in settlements and connecting industrial, communal, and individual consumers to the distribution system. Implementation of the Project would increase supply security, enable alternative routes of natural gas supply to the Republic of Serbia, and enhance opportunities for diversifying supply sources by connecting through other national gas pipeline systems with the TAP and TANAP pipelines. WBIF TA funds were approved for the preparation of integral Feasibility Study and Environment Impact Assessment Study, for both Serbian and North Macedonia gas pipeline sections. The technical documentation is being prepared by IPF11.

Overall investment volume: 42.000.000 EUR

Envisaged timeline for implementation: 2026 – 2027

- **Construction of a bidirectional gas pipeline Niš - Velika Plana - Batajnica – Horgoš with compressor stations in Batajnica (Belgrade), and Batočina (near Kragujevac)**

Project represents the main North-South bidirectional gas pipeline that consist of three sections. Section I: Niš - Velika Plana pipeline with length of 161 km, Maximum Operating Pressure (MOP): 55 bar, diameter (DN): 1000 mm. Section II: Velika Plana – Batajnica with pipeline length approx 116 km, MOP: 55 bar, DN: 1000 mm. Section III: Batajnica – Horgoš pipeline with approx. length 148 km, MOP: 75 bar, DN: 1000 mm. This pipeline will also enable increase security of supply with full utilization of Interconnector Bulgaria Serbia and Interconnector North Macedonia - Serbia as well, providing availability of designed capacities in directions south to north and north to south. Foreseen technologies will enable hydrogen ready availability of the pipeline.

Overall investment volume: 720.000.000 EUR

Envisaged timeline for implementation: In 2024, the preparation of project-technical documentation started. The completion date will be defined.

- **Central Balkan Corridor electricity transmission project**

Two sections are integrated within this electricity transmission project. The first section is infrastructure within the Serbian system which includes the construction of a new 400 kV substation Pozarevac 3 and a new double-circuit 400 kV transmission line from that substation to the existing substation Jagodina 4. The second section contains three major investments: (1) construction of the new 400 kV between Serbian and Bulgarian systems, with the two options for the connection points option 1: OHL 400 kV S/S Leskovac 2 (RS) – S/S Bobov Dol (BG) and option 2: OHL 400 kV S/S Nis 2 (RS) – S/S Sofia West (BG), (2) construction of the 400 kV OHL S/S Nis 2 – S/S Krusevac 1 – S/S Kraljevo 3, with the upgrade of S/S Krusevac 1 to 400 kV and construction

of the 400 kV OHL S/S Kraljevo 3 – SY Pozega(that also needs to be constructed) – Vardiste. There is a lot of wind and solar power plants (WPPs and SPPs) foreseen in South Banat and Kostolac region with total installed capacity exceeding 2,5 GW. Some of these capacities are already operational. After commissioning of Section I, part of energy produced in these RES will have additional evacuation pathway towards Central Serbia (S/S Jagodina 4). The technical documentation is being prepared by IPF12.

Overall investment volume: 195.000.000 EUR (more accurate estimation will be available once the Pre-Feasibility Study is completed, which is expected in early 2025)

Envisaged timeline for implementation: In 2024, the preparation of project-technical documentation started. The completion date is 2034.

- **Gas interconnection project between Serbia and Romania**

It is planned that the gas transportation systems of Serbia and Romania will be connected by a gas pipeline with a diameter of DN600. The length of the pipeline on the territory of Romania is approximately 85 km, and 13.5 km on the territory of Serbia, The construction of the interconnection would contribute to security and diversification of gas supply, fostering regional energy market integration and connection of Serbian gas transport system with BRUA pipeline (new 478 km natural gas pipeline on the Romanian territory, part of Bulgaria-Romania-Hungary-Austria gas pipeline-BRUA) and new gas field in the Romanian part of Black Sea.

Overall investment volume: 12.000.000 EUR

Envisaged timeline for implementation: In 2024, the preparation of project-technical documentation started. The completion date is 2026.

- **Pannonian Corridor for electricity transmission**

The project is divided into two phases. The first phase involves the construction of a new 2x400 kV Subotica 3 Substation - the state border between Serbia and Hungary. The second phase includes the reconstruction of the Subotica 3 substation, a new 2x400 kV Sombor 3 Substation - Novi Sad 3 substation (with one circuit equipped) and a new 2x400 kV Sremska Mitrovica 2 Substation - Belgrade 50 Substation. Implementation of this project will enable the integration of the electricity market, evacuation of energy from renewable sources in the Bačka region, increased reliability of power supply to consumers in Bačka and Srem, and the connection of new generating capacities in this area. In November 2023, the first PMI (Projects of Mutual Interest) list made under European Commission has been published. This process is foreseen under new TEN-E regulation. The list includes the new interconnection between Serbia and Hungary, defined in the scope of Pannonian Corridor.

Overall investment volume: 139.950.000 EUR

Envisaged timeline for implementation: The preparation of project-technical documentation will start in 2025. The completion date is 2030.

- **Greening the Public Sector - Rehabilitation of the VMA Hospital**

The complete rehabilitation of the VMA shall be performed in stages (Stage 1A, 1B and 1C). The financial sources have been so far provided for stage 1A and is sub-divided into five main intervention areas: (1) Technical systems and installations, (2) Building related interventions (replacement of windows and concrete repairs, renewing roofs and upgrade insulation of ceilings etc, (3) hospital function related measures (Upgrading and/or installation of fire safety, Hygiene and general comfort improvements etc, (4) Boiler House Construction and Consulting services. The estimated energy savings achieved by this project amount to 58,000 MWh per year, with a reduction in CO2 emissions of 24,000 tons per year. WBIF TA funds have been approved for a consulting service, PIU support and number of services related to the preparation of project and tender documentation.

Overall investment volume: 200.000.000 EUR (estimated value of the project from 2020)

Envisaged timeline for implementation: 2025 - 2029 (for phase 1A).

- **Energy Efficiency Program for Central Government Buildings**

The proposed multi-year program is focused on energy efficiency renovation of buildings belonging to the central government (CGB). The program includes renovation of up to 28 buildings in Belgrade, with a total area of 208,000 square meters, of which 50% are classified as cultural heritage buildings. It is foreseen 29% savings in operation cost for energy, improved working conditions and safety at work in CGB for some 6800 employees and up to 15,000 daily visitors/clients, awareness on energy efficiency and energy management raised among employees in CGB and general population. WBIF TA funds have been approved for the preparation of a minor part of the required project-technical documentation. Depending on the applied energy efficiency measures, the cost of energy renovation ranges from €400 to €600/m². It can be estimated that the renovation of all mentioned buildings (with a total area of 208,000 m²) will require approximately another €40 million.

Overall investment volume: 46,750,000.00 EUR (estimated value of the project from 2018)

Envisaged timeline for implementation: 2024 - 2028

Socio-economic convergence of Serbia with the Union

The proposed projects in the field of energy, such as the Reconstruction of HPP Potpeć with the construction of an additional 4th production unit, the construction of a reversible hydroelectric power plant in Zvornik, and the construction of solar power plants Kolubara A and Morava, significantly contribute to increasing the share of renewable energy in the energy mix. These projects play a key role in supporting the energy transition towards a more sustainable future, reducing greenhouse gas emissions, and contributing to regional energy integration and stability. Additionally, infrastructure projects such as the gas interconnection between North Macedonia and Serbia, the construction of the bilateral gas pipeline Niš - Velika Plana - Batajnica - Horgoš with compressor stations and the Pannonian Corridor for electricity transmission further strengthen the energy security and regional energy integration. These projects enable better access to energy sources and electricity, reducing the risk of energy crises and ensuring stable supply. Furthermore, initiatives to improve energy efficiency, such as programs for energy efficiency in central government buildings and the rehabilitation of the VMA hospital, contribute to reducing energy consumption and increasing the efficiency of the public sector, which not only saves energy but also reduces greenhouse gas emissions, supporting sustainability goals and energy transition. Finally, support for energy transition and decarbonization in Serbia, in line with the European Green Deal and the Green Agenda for the Western Balkans, emphasizes the integration of the energy market, decarbonization, clean energy, just transition, increased digitization of systems and smart grids, renewable energy, energy efficiency, including the modernization of district heating systems, and energy security as priorities. All these projects significantly contributing to reducing socio-economic disparities between Serbia and the EU.

13 CONSULTATION

On February 22, 2024, in accordance with the Decision on the Establishment of the Coordination Body for Conducting Accession Negotiations of the Republic of Serbia to the European Union and the Negotiation Support Team ("Official Gazette of the RS", Nos. 41/21, 46/21, and 53/21) and the Decision on the Establishment of the Coordination Body for the Accession Process of the Republic of Serbia to the European Union ("Official Gazette of the RS", Nos. 84/13, 86/13, 31/14, 79/14, 92/15, 23/18, and 36/19), the Government adopted a Conclusion on accepting the Report on the progress of discussions with the European Commission on the Growth Plan presented by the European Commission, including faster integration into the EU single market and accelerated reforms. By this Conclusion, the Ministry of European Integration is tasked, in collaboration with state administration bodies and other competent authorities and organizations leading the work of negotiation groups for the accession negotiations of the Republic of Serbia to the European Union, to coordinate activities related to the preparation of documents, implementation of the Reform Agenda, monitoring the implementation of reform measures, and reporting on the achievement of indicators for the implementation of reform measures. In accordance with these documents, Serbia has established a coordination structure for the development of the Reform Agenda, comprised of policy area coordinators responsible for preparing sections within their respective jurisdictions. On behalf of the Government Main Coordinator for the EC Growth Plan is Deputy Prime Minister, Minister for Finance Mr. Siniša Mali, and Minister for European Integration, Ms. Tanja Mišćević.

The consultation process had its informal and formal part. Informal part started even spring 2024 when Serbia drafted the very first clear set of strategic reforms and possible indicators – exchange has been organized with the Nacional Convention on EU as well as with busnis community. Additionally, all coordinators of the inputs for the Reform Agenda had an exchange with National Convention, speaking of the logic of proposed reforms as well as the idea of possible indicators. Formal part has been organized with the Parliament and civil society and was conducted in accordance with the Resolution on the Role of the National Assembly and Principles in the Negotiations on the Accession of the Republic of Serbia to the European Union ("Official Gazette of the RS", No. 112/13), the Decision of the Committee for European Integration of the National Assembly of the Republic of Serbia on the Procedure for Considering the Proposal of the Negotiation Position in the Process of Negotiations on the Accession of the Republic of Serbia to the European Union, and the Conclusion on Guidance and Coordination of the Activities of the State Administration Bodies in the Procedure of Preparing the Negotiating Positions in the Process of Negotiations on the Accession of the Republic of Serbia to the European Union ("Official Gazette of the RS", Nos. 50/2016-28, and 13/2017-22). In accordance with these regulations, the Proposal of the Reform Agenda, after being adopted at the Government session, was sent for further consideration in the National Assembly. The National Assembly reviewed the Proposal of the Reform Agenda during a session of the competent Committee for European Integration, which also included representatives from civil society gathered in the National Convention on the European Union.

The active participation of members of parliament was crucial in this process. Their involvement ensured that the proposed reforms were thoroughly debated and scrutinized, integrating a wide range of views and expertise. Their legislative oversight was instrumental in aligning the reforms with the broader national interest and the commitments of Serbia in its EU accession process.

The National Convention on the European Union, as a vital platform for communication and collaboration, was developed by civil society and established in cooperation with the National Assembly and its Committee for European Integration. This inclusive platform ensured that the consultation process was comprehensive and participatory, reflecting the diverse perspectives and inputs of civil society.

Consultation with all stakeholders during the implementation and monitoring of the Reform Agenda will be conducted in accordance with the Guidelines for Involving Civil Society Organizations in the Legislation-Making Process ("Official Gazette of the RS", No. 90/14), as well as the Guidelines for Cooperation of the Negotiation Team for EU Accession Negotiations and Negotiation Groups with Representatives of Civil Society Organizations, the National Convention on the European Union, and the Chamber of Commerce of Serbia.

14 MONITORING, REPORTING, EVALUATION

In line with the Facility Agreement (Art. 24) the Reform and Growth Facility Monitoring Committee (RGF MC) will be established no later than six months after the entry into force of the Facility Agreement. It will be composed of representatives of the European Commission, the National Coordinator and other relevant authorities, where relevant, bilateral donors, international organisations, international financial institutions and other stakeholders, such as representatives of the judiciary, Parliament, civil society and private sector organisations. RGF MC meeting shall take place at least once a year while ad hoc meetings may also be convened at the initiative of the National Coordinator or the Commission.

The Government of Serbia has already adopted a Decision to nominate the Ministry of European Integration to coordinate monitoring activities for the implementation of reform measures and reporting on the fulfillment of indicators identified in the Reform Agenda. In this regard, the Ministry of European Integration will report to the Government of Serbia at least twice a year on the implementation of the Reform Agenda before the submission of semi-annual requests for the release of funds to the Commission. The comprehensive semi-annual reports will be the subject of discussion at the meetings of the already existing body, Council of the Coordinating Body for the EU Accession Process, before its adoption, and will serve the purpose of preparing an annual and final report on the overall implementation of the Reform Agenda vis-à-vis the overall objectives of the Facility that has to be submitted to the Commission no later than 1 March of each year. All reports and underlying data will be made available to the Commission in line with the requirements of the Facility Agreements and national legislation for record keeping and transparency.

The comprehensive semi-annual report will be prepared based on the semi-annual report per policy area prepared by the lead ministries (Coordinator for the policy areas) that coordinated the preparation of input for the Reform Agenda. These lead ministries are:

- the Ministry of Finance,
- the Ministry of Mining and Energy,
- the Ministry of Information and Telecommunications,
- the Ministry of Education,
- the Ministry of Interior, and
- the Ministry of Justice.

The Government of Serbia will maintain continuity in the personnel decisions in determining the coordinators and their associated team members. After the adoption of the Facility Agreement, the Government will adopt a Decree and respective Decision formally nominating the National Coordinator and the coordinators for the policy areas.

In addition to the reporting process already listed, the National Coordinator will be able to request from the Coordinators for policy areas to submit ad hoc reports in cases of systemic or activity level risks or weaknesses.

The implementation of reform measures is monitored through the implementation of quantitative and qualitative steps on a semi-annual level. Having in mind that the responsibility for these steps lies with various authorities/institutions they will report regularly and in a timely manner to the lead ministry (Coordinator for the policy area), which will prepare a semi-annual report for a relevant policy area. To facilitate this, operational teams/working groups will be formed, consisting of representatives of authorities/institutions responsible for specific steps covered by reform measures. Where activities are specifically cross sectoral in nature, the respective operational teams/working groups will develop a plan for coordinating activities.

Each team will be led by a state secretary or assistant minister from the lead ministry that is the coordinator for the policy area. The teams will meet at least quarterly or as necessary.

The teams perform the following:

1. They monitor the implementation of reform measures and relevant qualitative and quantitative steps and regularly inform the Coordinator for the relevant policy area and National Coordinator as per their request;
2. They ensure the timely preparation of semi-annual reports and additional documentation (such as fiche for each step) by policy area that will serve the purpose of preparing requests for the release of funds;
3. They ensure the timely preparation of information by policy area that will serve the purpose of preparing an annual report and final report on the overall implementation of the Reform Agenda vis-à-vis the overall objectives of the Facility that has to be submitted to the Commission;
4. They ensure full access to the relevant documentation and data to support the preparation of the request for the release of funds and for audit as well as control purposes to all relevant institutions designated in the Decree and the Facility and Loan agreements.

Each step is to be monitored in accordance with its description as listed in Annex 1 of the Reform Agenda and the accompanied Action plan to be developed by October 31st. The respective operational teams/working groups will utilize the modality of monitoring activities that reflect the requirements for fulfilment of relevant qualitative and quantitative steps (e.g. desk reviews for legislative/strategic reform measures and on-the-spot checks for investment projects).

Each step is to apply an approval chain of actors that will ensure accuracy of reporting. The implementing body for a specific activity will report its progress to the Coordinator for policy area that the step corresponds to, while the Coordinator for policy area verifies the data, information and Assurance Statement received from the relevant institutions, in line with the adopted Action Plan, to gain assurance on accuracy of reporting. The Coordinator for policy area will compile the reporting for the National Coordinator upon which the National Coordinator will have the basis to sign the Declaration of assurance accompanying the payment request.

Where a monitoring process for a step includes statistical data, the Coordinator for policy area as well as the National Coordination will engage Statistical Office in an advisory role to ensure quality control processes are in line with national legislation regulating statistics. In performing this task and mitigating any potential weaknesses of data used, the Statistical Office will rely on ongoing facility cooperation with Eurostat.

In accordance with the Article 26 of the Facility Agreement, the Commission shall carry out an independent ex-post evaluation of the Regulation. The National Coordinator shall facilitate the Commission's access to stakeholders and to all relevant information, which are necessary to carry out the ex-post evaluation.

15 CONTROL AND AUDIT

Introduction

Institutions of the Republic of Serbia, involved in the implementation of the Reform Agenda, are obliged to implement all regulations and appropriate procedures prescribed by the legal framework of the Republic of Serbia.

The actions of state administration bodies and implementing bodies/public enterprises and employees to prevent, detect, and correct irregularities, fraud, corruption, and conflict of interest are regulated by relevant general and individual acts.

These national systems of institutions are described in relevant negotiation chapters and progress regularly discussed with the European Commission at committee and sub-committees meetings for implementation of the Stabilization and Association Agreement and other fora.

The Republic of Serbia has opened two clusters and 22 negotiation chapters, while two chapters have been provisionally closed, since the opening of negotiations with the EU in 2014. Cluster Fundamentals include chapters 32 Financial control and 5 Public Procurement, as well as Public Administration Reform area that comprises Public Financial Management system. The Public Financial Management Program was adopted by the Government and implemented in the period 2015-2020, while the new Program under implementation is for the period 2021-2025. In addition, chapters 17 Economic and Monetary Policy and 33 Financial and Budgetary Provisions have been opened, before the introduction of clusters methodology in the negotiation process.

The Republic of Serbia has in place effective and efficient public sector institutions with internal control system to detect and correct irregularities, fraud, corruption and conflicts of interest, in line with internationally recognized internal control principles, including separation of functions and reporting and monitoring arrangements, embodied in its regular national budget management system.

PIFC

The legal base of the system of public internal financial control impose the establishment and harmonization of the internal control system with internationally accepted standards, reporting on the establishing of the system and verification of the quality of the activities of the internal control system.

The PIFC in the Republic of Serbia is regulated by the Budget System Law as a comprehensive system of measures for the management and control of public revenues, expenditures, assets and liabilities, established by the Government through public sector organizations for the purpose of management and control of public funds, including foreign funds, in line with the regulations, budget, and the principles of sound financial management, namely economy, effectiveness, efficiency and transparency. For the first time PIFC was introduced in the Budget System Law in 2009 and implemented and constantly improved in public sector of the Republic of Serbia since then. This Law stipulates obligation of the public sector organisations to establish the pillars of the PIFC system: financial management and control, internal audit and the role and responsibilities of the Central Harmonization Unit - CHU as a **coordinative body which sets common standards for financial management and control and internal audit activities in the public sector**. In that respect, CHU is performing regular **monitoring** on state of play in PIFC area by analysing and consolidating FMC self-assessment reports and reports on work of IA from Public Funds Beneficiaries - PFBs. Based on this reporting cycle, CHU prepares annually Consolidated report for the Government with proposed measures

for PIFC improvement. Through the years, this report records continual progress on all indicators of maturity of FMC system and internal audit function. Specific on-the-spot monitoring (quality review) both for FMC and IA is also regularly performed by CHU.

Internal auditors in public sector of RS are certified according to the national certification scheme which are comparable to international IA certificates for public sectors. The professional training programme and certification exam are organized by MF/CHU. Certification of IAs as described is already recognized by EC.

Planned improvements in the area of PIFC:

Since the legal and methodological frameworks are broadly in place, the Republic of Serbia is now focusing on improving implementation of controls and internal audit, based on the identified weaknesses and recommendations made in the CHU annual reports and the European Commission in the annual enlargement reports.

The Republic of Serbia will ensure close follow-up to the recommendations made by the CHU in the annual reports, including further development of managerial accountability and risk management practices in public sector institutions.

Close attention will be paid on ensuring that the internal audit function is ensured in all institutions required to do so and that units have a sufficient number of auditors. Amendments to the implementing legislation on internal audit and certification, adopted in October 2023 aim to address this shortcoming by allowing for a greater coverage of the internal audit function of the public sector of the Republic of Serbia, by further specifying the criteria for the establishment of the internal audit function, by increasing the concentration of the internal auditors in key state bodies, and by strengthening the capacity for training and speeding up the certification process of internal auditors.

In the context of the Reform Agenda, several steps are directly related to audit and control systems, mainly in the area of public procurement and fight against corruption. By 2025 June, the level of transparency regarding all projects contracted under intergovernmental agreements should be increased by introducing project-specific information on the website of the ministry in charge of implementing the project on any completed, ongoing and new procurement contracts under intergovernmental agreements. All contracts under intergovernmental agreements will be published starting from December 2024 and this practice will be maintained in the following years for all new contracts, including name of the project; basic procurement contract information; contracting authority; main contractor and procurement procedure followed. By December 2026, 100% of SOEs, which are obliged by the Law on SOE Governance to establish Audit Committee, will establish an Independent IA function in line with the Budget System Law. Furthermore, all special and other laws/decrees introducing derogations from the public procurement legislation should be lifted by June 2027. In the area of fight against corruption, some steps relevant for audit and controls are planned in the early years of implementation, some as early as December 2024, such as the adoption of the Anti-corruption strategy and Action plan for 2025-2028.

Management of Irregularities

All public sector institutions are obliged to follow FMC rulebook²⁷ according to which risk management is introduced within PFBs. Risk management entails identification, assessment and response to potential events and situations that could negatively affect the achievement of the objectives. Fraud risks are specifically emphasized by this regulation.

There is obligation for Heads of the Public Fund Beneficiaries (PFBs)²⁸ to establish a system for management of irregularities.

²⁷ The Rulebook on Common Criteria and Standards for the Establishment, Operation and Reporting of the Public Financial Management and Control System (Official Gazette of the RS, No. 89/2019), in Article 7 and 8

²⁸ The Rulebook on Common Criteria and Standards for the Establishment, Operation and Reporting of the Public Financial Management and Control System (Official Gazette of the RS, No. 89/2019), in Article 18.

Establishing a sound method of managing irregularities within the PFB enables, developing of culture of prevention and updating organisational procedures in order to minimise the risk of recurrence of the identified irregularities in the future.

Managing irregularities involves the establishment of an appropriate system for detecting, recording, acting upon notifications and reporting, while **addressing irregularities** involves the implementation of appropriate measures in order to mitigate or compensate for the effects of a materialized irregularity.

In order to manage irregularities, it must first be determined whether they can be addressed **within the organization** or they are **forwarded to the competent authorities** for further action. The demarcation between these categories is most often determined by regulations that prescribe penalties for misdemeanour or criminal offenses. These cases are also resolved by the prosecution, the Attorney general's office and the courts in accordance with special regulations. The way solving irregularities, which are after recording **forwarded to competent authorities**, is arranged by specific regulations²⁹. In the Republic Serbia, laws prescribe actions in particular work areas, penalty measures for non-compliance with prescribed provisions and competent authorities organizations for acting in those situations.³⁰ Therefore, the obligation to separate functions for reporting and monitoring arrangements are set in accordance with the national legal framework.

Reporting of irregularities outside the organization

Except of the above description which relates on management irregularities in the organization of, irregularities are possible to be reported directly to competent authorities (external alerting) as well as through alerting the public. The Law on Protection of whistle-blowers provides protection of whistle-blower for cases of internal and external alarms, as well as alarms to the public.

As a rule, when it comes to reporting irregularities outside the organization, depending on the type of irregularities, they can be reported to the authority responsible for supervision in the area in question, or directly to the police or the prosecutor's office.

For the protection of EU funds, there is also additional reporting of irregularities through IPA structures. Regarding the the protection of EU funds channelled through IPA programmes, the whole set of procedures related to the irregularity management covering prevention, detection, assessment, reporting and correction is in place as part of the accredited system for the management of IPA funds.

According to the Law on Protection of Whistleblowers, whistleblowing involves disclosing information about violations of regulations, human rights violations, exercising public authority contrary to the purpose for which it was entrusted, endangering life, public health, safety, the environment, and preventing large-scale damage.

A whistleblower has the right to protection if they whistleblow to the employer, authorized body (prosecutor's office, police, inspection, Ombudsman, etc.), or the public in a manner prescribed by law. A person who, in the performance of official duties, provided information has the right to protection as a whistleblower if they make it probable that harmful action was taken against them due to the provision of information. The employer and the authorized body are obliged to act on anonymous notifications as well.

The employer is obliged to designate a person authorized to receive information and conduct proceedings related to whistleblowing. The internal whistleblowing procedure begins with the submission of information to the employer, who is obliged to act on the information without delay and inform the whistleblower of the outcome of the proceedings upon its conclusion. The whistleblower has the right to judicial protection, which is achieved by filing a lawsuit for protection related to whistleblowing with the competent court.

The employer is obliged to take measures within its authority to eliminate identified irregularities related to the information provided by the whistleblower, protect the whistleblower from harmful actions, and take necessary measures to stop harmful actions and eliminate the consequences. The employer must not take measures to disclose the identity of an anonymous whistleblower.

²⁹ According to the Law on Misdemeanors, the Criminal Code, the Criminal Code procedure, Protection Act for whistleblowing, Law on supervision of inspections.

³⁰ Law on Public procurement, Law on state employees, the Law on Public Employees services, Law on employees in autonomous provinces and local self - government units, Labor Law, Law on prevention of abuse at work, the Law on the Agency for combating against corruption, Law on economic offenses.

The Law on Public Procurement specifies that the contracting authority/public enterprise is obliged to regulate the planning, implementation of the public procurement procedure, and monitoring of the execution of the public procurement contract (communication method, rules, obligations, and responsibilities of persons and organizational units), planning and implementation of procurements to which the law does not apply, and procurements of social and other specific services by a special act.

The contracting authority is obliged to take all necessary measures to prevent all potential serious irregularities (e.g. corruption, conflict of interest, fraud etc.) in public procurement planning, during the public procurement procedure, or during the execution of the public procurement contract, to detect serious deficiencies in a timely manner, to eliminate or mitigate the harmful consequences of corruption, fraud, conflict of interest, etc.

According to the Law on Budget System and the Law on Ministries, the Ministry of Finance/Department for Budget Inspection conducts inspection supervision over the application of laws and accompanying regulations in the field of material and financial operations and the purposeful and lawful use of funds by budget beneficiaries. Budget inspection plans and implements inspection supervision based on complaints, petitions, objections and requests for inspection supervision received from bodies, organisations, legal entities and natural persons. Budget inspection performs regular and extraordinary budget supervision. Regular inspection supervision is performed on the basis of an annual supervision plan of the budget inspection, established by the minister of finance upon obtained opinion, i.e. guidelines and instructions in accordance with the law regulating inspection supervision. Extraordinary inspection supervision is performed on the basis of complaints, petitions, objections and requests for inspection supervision that are not included in the annual plan of budget inspection supervision, which estimate that the level of risk indicates the need for inspection supervision.

If inspection findings show that funds were used contrary to their purpose or unlawfully, the report will contain measures ordered to eliminate such unlawful practices and order the return of those funds to the budget. If, during the inspection, the budget inspector finds any actions and irregularities that raise a reasonable suspicion of a criminal offense or economic offense, the budget inspector will file a criminal or economic offense report with the competent public prosecutor's office or submit a notice containing evidence of a reasonable suspicion that a criminal offense or economic offense was committed. If, during the inspection, the budget inspector finds any actions and irregularities that are punishable as a misdemeanor according to the law or another regulation, the budget inspector will file a request to initiate misdemeanor proceedings with the competent court.

The prevention of conflict of interest and the mechanism of action, rules of ethical and professional conduct, personal and professional integrity are prescribed by the Law on Prevention of Corruption, the Law on Protection of Whistleblowers, and the Law on Civil Servants. Additionally, the Code of Conduct for Civil Servants further defines the standards of integrity and behavior for civil servants.

The procedure for deciding on violations of the Law on Prevention of Corruption in case of suspected conflict of interest is led by the Agency for the Prevention of Corruption. The Agency initiates this procedure ex officio, at the request of a public authority (including a public enterprise) that has elected/appointed a public official or in which the public official holds office, as well as upon the report of a physical or legal entity. The report must be submitted in writing and can be anonymous. The Agency is obliged to protect the identity of the reporter by not disclosing their information to anyone except the court.

The decision establishing a violation of this law and imposing a measure or terminating the procedure is made by the Director of the Agency. An appeal can be filed against the Director's decision to the Agency Council within a specified period. The Council's decision is final, and administrative litigation can be initiated against it. If, during the procedure, it is established that there is a reasonable suspicion of a criminal offense prosecuted ex officio, the Agency submits a criminal complaint to the competent authority.

A physical or legal entity can address the Agency for the Prevention of Corruption in writing, presenting facts that raise suspicion of corruption (a complaint). The complaint must be submitted in writing and can be anonymous. If the Agency is not competent to act on the complaint, it forwards the complaint to the competent authority and informs the complainant.

If the Agency for the Prevention of Corruption, in processing the complaint, assesses that there are circumstances in the work of a public authority that may lead to corruption, the Agency gives recommendations to the public authority with measures to eliminate the situation and a deadline for their implementation. If,

however, in processing the complaint, the Agency for the Prevention of Corruption finds that there are grounds to suspect a criminal offense prosecuted ex officio, the Agency submits a criminal complaint to the competent authority.

In accordance with the instructions of the Agency for the Prevention of Corruption, the public authority is obliged to prepare, implement, and report on the implementation of the Integrity Plan, which contains processes that are most at risk, preventive measures to eliminate the risk of corruption, and data on persons responsible for implementing the measures.

Recovery of funds

According to the Budget inspection Law, the goal of the inspection supervision of the budget inspection is to establish budgetary discipline of the users of public funds and protect the financial interests of the Republic of Serbia.

The budget inspection plans and conducts inspections based on applications, petitions, objections and requests for inspections received from authorities, organizations, legal entities and natural persons.

If it is determined, by the inspection, that the funds were used for an unintended or illegal purpose, a measure to eliminate the illegality will be pronounced in the minutes and the funds will be returned to the budget.

If it is determined by the inspection that the funds, for which the obligation to pay into the budget is established by a special regulation, have not been paid or have been paid in a smaller amount than prescribed, a measure to eliminate the illegality will be pronounced in the minutes and the payment of the funds into the budget will be ordered.

If the supervised entity does not act according to the ordered measures within the period determined by the minutes, the budget inspector will issue a Decision ordering the refund and/or payment of funds to the budget, within 30 days from the date of expiry of the deadline for submitting evidence of acting according to the ordered measure. The Decision is final and an administrative dispute can be initiated against it, however, the lawsuit that initiated the administrative dispute does not stop the execution of the decision.

If the supervised entity does not fulfill the obligation from the Decision within the deadline, the execution of the Decision is carried out in the forced collection procedure.

Execution of orders for compulsory collection submitted by the National Bank of Serbia, which refer to supervised subjects, within the system of the consolidated treasury account, is carried out by the Treasury Administration, in accordance with the law.

The process of compulsory collection against supervised entities that are not included in the consolidated treasury account is carried out by the National Bank of Serbia, with the participation of the State Attorney's Office, that is, the Attorney's Office of the autonomous province, that is, the local self-government unit.

The Minister of Finance regulates in more detail the forced collection procedure from para. 3-5. of this article.

If, in the course of the inspection supervision, he determines actions and illegalities for which there are grounds for suspicion of a criminal offense or economic offence, the budget inspector submits a criminal report, i.e. a report for an economic offense to the competent public prosecutor's office, or a notice with evidence that there are grounds for suspicion of a committed criminal offence, i.e. economic crime.

If, in the process of inspection supervision, he finds actions and illegalities that are punishable as a misdemeanor according to the law or another regulation, the budget inspector submits a request for initiation of misdemeanor proceedings to the competent court.

Planned improvements in the area of irregularity management:

The guidelines on irregularity management are being put in practice throughout the public sector.

The recently centralised budget inspection, according to the Law on Public Procurement, shall supervise the execution of public procurement contracts.

The IPA indirect management structure and operating structures will continue to ensure irregularity management for EU funds within IPA MCS.

AFCOS

To protect the financial interests of the European Union, the National Coordinator, in cooperation with the Ministry of Finance/ Anti-Fraud Coordination Service Unit in the Handling of EU Financial Resources (AFCOS), ensures the coordination of operational and technical cooperation and data exchange on irregularities and suspected fraud cases with the European Commission, the European Anti-Fraud Office (OLAF), the Court of Auditors, and other EU institutions in accordance with the Agreement.

To prevent irregularities and fraud in the handling of EU financial funds, a Network for the Prevention of Irregularities and Fraud in the Handling of EU Financial Funds has been established, whose tasks include developing a Strategy for the Prevention of Irregularities and Fraud in the Handling of EU Financial Funds and an Action Plan for its implementation; collecting, monitoring, and analyzing data on measures taken to prevent irregularities and fraud in the handling of EU financial funds; initiating legislative and other measures to prevent irregularities and fraud in the handling of EU financial funds; strengthening inter-institutional cooperation and data exchange between state authorities, organizations, and institutions whose representatives are involved in the Network's work on reported fraud, corruption, or other irregularities.

In accordance with Article 12 of the Agreement, a methodology for effectively preventing, detecting irregularities, fraud, corruption, and other activities that may affect the financial interests of the European Union will be prepared and approved, which includes the manner of public authorities' actions and the manner of reporting to the European Commission.

Governmental Audit Office of EU Funds

Governmental Audit Office of EU Funds (hereinafter: Audit Authority) was established as a service of the Government of the Republic of Serbia, acting as the audit authority for the Instrument for Pre-Accession Assistance (IPA). The Audit Authority is functionally independent of all actors in the management, control and supervision system that was established in the Republic of Serbia for implementation of IPA funds. The Audit Authority conducts audits of the management and control system, legality and regularity of actions and transactions and annual accounts, in line with internationally accepted audit standards, guidelines issued by the European Commission and Audit Manual of the Audit Authority.

Founding of the Audit Authority is aimed at fulfilling several objectives: 1) audit of the management system of EU funds; 2) verifying efficient and sound functioning of the EU funds management and control system; 3) audit of transactions related to the EU funds and the funds earmarked for national co-financing of EU projects and programmes; 4) verifying reliability of relevant accounting information, all in line with the Framework Agreement, Annex 5 (IPA II) and the Framework Agreement, Annex A, Article 7 (IPA II).

State aid control

In the Republic of Serbia, State aid control is enforced by the Commission for State Aid Control, which operates independently from the executive authority and is accountable to the National Assembly. The Commission is responsible for (1) determining the existence of state aid and (2) the compliance of state aid with state aid rules. State aid grantors have the obligations to notify state aid to the Commission before it is granted and reporting on all state aid granted. For any state aid that does not meet the relevant conditions and criteria, the Commission may order an appropriate measure.

The Commission assesses the compliance of state aid *ex-ante* in the procedure of previous control and *ex-post* in the procedure of subsequent control. It may pronounce behavioural measures, including those which order suspension of state aid granting and recovery of granted state aid amount, increased by legally prescribed default interest, if the aid was not granted in line with the rules on granting, as well as a measure of periodic penalty payment. Additional information on state aid control can be found in section 4 *Key policy priorities* and Part 2 *Description of Policy Areas and Related Reforms - Reform 6.2.1. Enhanced investment and development opportunities for entrepreneurs and private sector* of the Reform agenda.

Segregation of functions and duties

Legal framework of the Republic of Serbia clearly separates functions of implementation, audit and investigations, and segregation of duties. In this context, SAI is established as an independent institution, while the budget inspection activities, under the Law on Budget Inspection, are performed by the ministry in charge of finance through budget inspectors.

Functions are separated by scope of work of individual institutions or their organizational units, defined by relevant laws and other applicable legal acts. Internal audit has been performed by functionally and organizationally independent units within PFBs.

Managerial accountability has been introduced in the Budget System Law in 2009 and further elaborated in the FMC Rulebook and respective guidelines. It represents basics for establishment and development of the FMC system, while in reality those two concepts are interrelated and acting in synergy.

Double funding

The prevention of double funding is carried out through the planning and execution of funds from the budget of the Republic of Serbia in line with Budget System Law.

Control and audit of the Reform agenda implementation

In accordance with the Agreement, the Government of Serbia will adopt a Decree on the management of funds from the Instrument for Growth and Reform, which will detail the rights and obligations of state administration bodies and other entities and institutions involved in the preparation of the Reform Agenda and bear responsibility for its implementation, ensuring the protection of the financial interests of the Republic of Serbia and the European Union.

In accordance with the Decree, the Government will issue a Decision appointing the National Coordinator and Coordinators for individual policy areas (hereinafter: Coordinators). Their responsibilities will include monitoring the implementation of the Reform Agenda and preparing relevant reports while establishing an appropriate internal control system.

The basic institutional framework for monitoring the implementation of the Reform Agenda will be the Coordination Body Council for EU Accession (Council), chaired by the National Coordinator, with the participation of heads of negotiation groups at the level of state secretaries or assistant ministers, including the Coordinators.

The Ministry/body responsible for implementing the steps will appoint an appropriate unit and head within the ministry or state administration body responsible for the execution of individual steps, as well as heads at the level of assistant minister or state secretary, or other individuals in positions appointed by either the Government or the Secretary of the Ministry, to manage the implementation of specific steps.

The Ministry/body responsible for implementing the steps within the respective policy area will regularly report to the relevant Coordinator on a quarterly basis. The report will contain information on activities undertaken to implement the steps, sources of financing (to avoid double financing), identified risks, measures to address potential problems, and measures taken to improve the internal control system.

The report will be accompanied by supporting documents (meeting minutes, participant lists, etc.) that confirm that appropriate activities were undertaken to achieve the steps or that they were achieved (verification sources). The report will be prepared by employees in the ministry/body responsible for implementing the steps, reviewed by the relevant assistant minister, and approved by the state secretary of the respective ministry.

Upon receipt of the report and accompanying documentation, the Coordinator will organize a review of the report's content and the submitted information, including its own verification checks if needed. These checks will be mandatory in the case of achieving steps of higher financial value or importance within the Reform Agenda. If necessary, and in the event of identified problems in implementation, an additional meeting can be organized at any time on the initiative of the state secretary of the relevant ministry and the Coordinator.

The Coordinator will prepare a semi-annual report with accompanying documentation in accordance with the form prepared by the Ministry of European Integration as the secretariat of the National Coordinator. This report will be prepared by employees in the coordinating ministry, reviewed by the relevant assistant minister, and approved by the Coordinator.

The semi-annual report of the Coordinator will include information on activities and measures undertaken to implement steps in the specific policy area, accompanied by documentation confirming the fulfillment of the steps in accordance with the verification sources listed in the Reform Agenda and the Action plan pursuant to relevant articles of the Agreement, as well as information on measures taken to implement internal control measures and improve the existing system. Special attention will be paid to implementing the findings/recommendations of external audits, internal auditors, and EC auditors.

Along with the semi-annual report, the Coordinator will submit a Declaration of Assurance confirming that the data in the report are accurate, verified, reliable, and accurately reflect the level of achievement of the listed steps, and that the established internal control system and measures taken to improve it confirm its content. The National Coordinator gains assurance according to his own judgment and all relevant data and documentation made available to him, provided by the coordinators of the specific area and based on the reports from competent institutions in charge of the specific step.

The semi-annual report of the Coordinator will form the basis for preparing the comprehensive semi-annual/annual/final report on the implementation of the objectives of the Reform Agenda and the basis for preparing payment requests, which will be prepared biannually by the Ministry of European Integration as the secretariat of the National Coordinator, according to the schedule outlined in the Agreement.

The comprehensive semi-annual/annual/final report prepared by the Ministry of European Integration will be reviewed by the Council before being submitted to the Government of Serbia to assess overall progress in achieving the Reform Agenda and identify/overcome shortcomings in the internal control system. The report will specifically present measures taken to implement the findings of external audits, internal auditors, and EC auditors.

The National Coordinator, in accordance with the scheduled dynamics, will submit payment requests to the EC twice a year, supported by the semi-annual report and accompanying documentation in accordance with Article 16.7 of the Agreement. Along with the aforementioned report, the National Coordinator will submit a Declaration of Assurance.

If necessary, and in accordance with additional EC requests, the Ministry of European Integration, in cooperation with the Coordinators and the relevant ministry, will provide supplementary documentation and ensure communication with EC experts or auditors for additional verification of step fulfillment and the internal control system.

The audits of the systems and cases of support to investments and reforms will be carried out by the competent authority designated by the new Regulation on implementation of the Reform Agenda.

WBIF

Considering that part of the funds from this instrument is realized in accordance with the rules of indirect management through international financial institutions (WBIF), the internal control system will be established to respect the provisions and obligations defined by grant agreements with international financial institutions (IFI).

Since the Reform Agenda contains a preliminary list of infrastructure projects proposed for financing from WBIF funds, the decision on the selection and ranking of capital projects, according to the Regulation, will be made by the Commission for Capital Investment, chaired by the Prime Minister of the Republic of Serbia.

After the investment grant is approved by the WBIF Operational Board, the leading international financial institution (IFI) assumes responsibility for implementing the grant and concludes an agreement with the Republic of Serbia, represented by the relevant leading ministry, the Ministry of European Integration, and the implementing body/most often a public enterprise.

The grant agreement establishes the rights and obligations of the contracting parties and includes provisions related to procurement procedures, conflict of interest, fund reimbursement, control and audit, monitoring, and reporting. The IFI can verify whether appropriate internal control measures have been undertaken to prevent, detect, and correct irregularities, fraud, corruption, and conflict of interest.

The implementing body conducts contracting and may establish a Project Implementation Unit (PIU) responsible for daily project activities, including the preparation of tender documentation and the implementation of public procurement. The leading IFI ensures proper project implementation by providing

technical assistance internally or by engaging external consultants for the supervision of the public procurement process.

Under the supervision of the leading IFI, the implementing body conducts procurement procedures according to the rules and procedures of the leading IFI or other procedures approved by the leading IFI. The implementing body signs contracts after obtaining the consent of the leading IFI and implements contracts under its supervision.

According to the leading IFI's payment rules, the implementing body may make payments to contractors, or the IFI does so directly. The implementing body concludes a supervision contract to monitor the technical aspects of the implementation of works contracts under the control of the IFI.

At the end of the works contract, the implementing body takes ownership of the project results through a preliminary acceptance certificate and has the right to record all deficiencies during the specified period in which the contractor is responsible for the deficiencies. A final acceptance certificate is issued at the end of this period, releasing the performance guarantee. Upon project completion, the leading IFI verifies that the project has met its objectives with documented final costs. The final project control and/or technical evaluation is conducted as part of the leading IFI's control system.

16 COMMUNICATION

All communication activities of the Republic of Serbia on reform Agenda will follow the guidelines "[Communicating and raising EU visibility: Guidance for external actions](#)", published in July 2022 as well as recommendations from the EC Joint Communication Plan on the Growth Plan for the Western Balkans from July 2024.

Information and communication activities on the Growth plan as an initiative for boosting economic growth and accelerating socio-economic convergence with the Union will be designed to raise the awareness of specific or general audiences of the reasons for the action, and the EU support, as well as the results and the impact of this funding. Some of the communication objectives will be to point out a benefits of the European integrations itself even before the conclusion of the EU accession process of Serbia but also to enhance capacities of Serbian public administration communicators and media to deliver coordinated messages to the public in a clear and informative way.

When it comes to EU visibility guidance, responsible institutions and beneficiaries of the Republic of Serbia will have an obligation to inform the relevant public of the Union's support for their work and actions by displaying the European Union emblem and a short appropriate statement of funding in all communication materials related to the relevant action.

In addition, the increased need of more coordinated and comprehensive communication of the Growth Plan as an EU initiative has to be fully exploit through better utilisation of available communication tools and channels, and participation of all stakeholders who can contribute to the overall success of the Reform Agenda implementation. In order to foster communication between general public, beneficiaries, media, relevant government institutions at the national and local levels, including decision makers, public/private enterprises, civil society organisations a tailor-made approach to communication and visibility will be applied. The Ministry of European integration will work to strengthen communication within the government at the inter-ministerial level.

Communication action plan will be developed, monitored and reported timely, for the purpose of strengthening communication activities relating to presentation and promotion of the Reform Agenda as a tool for acceleration of membership preparations.

Information and communication activities will be presented through various channels. First of all the website and official digital platforms of Government of Serbia, Ministry of European integration and other line ministries who are main beneficiaries of WBIF assistance. Also it will be used on the online communication platform for all EU funded projects in Serbia www.euzatebe.rs managed by the EUD dedicated to the EU

support to the citizens in various areas and the website eumogucnosti.rs where interested parts can find everything about the possibilities provided by the European Union and/or be informed about the ongoing EU funds.

Selected key arias and projects that will be examples of successful practice shell be used to communicate how citizens of the Western Balkans, including those from the Republic of Serbia will benefit from EU funds. **Key and other messages** will be designed in accordance to the EC Joint Communication Plan on the Growth Plan for the Western Balkans. They will be defined in a way to allow target groups to understand that Growth Plan is a completely new initiative of the EU member states to accelerate **the socio-economic convergence between Serbia, also WB in general and the EU with the clear and tangible benefits for the economy and the citizens**. Focus of our Communication Plan should really on the benefits of priority areas so far identified within the GP: Common Regional Market, Single Euro Payments Area (SEPA), Green Lanes, digital single market and WiFi4WB, European DigitalInnovation Hubs (EDIH), conformity assessments, critical medicines, digital wallet, and raw materials. Also, they will go beyond and cover as a country specific, not only most important reforms in the areas of business environment and development of the private sector, green and digital transition and human capital but also fundamentals. Specific messages will focus on reforms related to fundamental rights, democracy, fight against organized crime security and migration management, fight against corruption, judiciary, freedom of expression, minority rights, alignment with the CFSP, education, health, public procurement etc.

Also, MEI will use other, various means of communication such as public events in order to promote the Reform Agenda implementation. Considering the media's impact on the establishment of public awareness and in creating opinion on EU and EU accession process in Serbia, the key partners in the implementation of concrete communication activities and the transfer of information regarding the EU will be electronic, broadcast and print media. All relevant information on news and events regarding the Reform Agenda implementation will be timely published on websites of the Ministry of European integration and other line ministries both for the general public and for employees of the state administration while all important information and examples of successful projects and the results of the reform activities will be timely distributed to the media /regular media briefings included/ and shared on the official digital platforms (Instagram, Facebook, Twitter, etc) of government institutions so that all citizens are regularly informed.

Target groups are wider audiences, comprising ordinary members of the public who are not involved in policy, advocacy or international relations, and who may not be aware of the EU, as well as specialised audiences, including key political and opinion leaders, the wider diplomatic community, think tanks, business community and private sector, local communities, civil society organisations and other relevant multipliers.

Monitoring and evaluation: MEI will continue to conduct the European Orientation of Serbian Citizens public opinion survey yearly and thus follows the growing trend of informing citizens about EU funds. Also, the daily analysis of media research will regularly monitor the amount of media outlets about the Reform Agenda.

Flexibility and adaptiveness to the changing environment, coordination of activities and complementarity of the input of efforts and resources, aiming an improved EU visibility and communication of the Growth Plan are and will be of great importance for the final success of the Reform Agenda.

Communication plan as a part of Reform Agenda will be developed in the consultation process with the EU Delegation in Serbia, with their country's plan on communicating GP. Reporting the public on the implementation and the results of the activities from Serbia's Reform Agenda will be transparent and coordinated with the key stakeholders.

17 ANNEX 1: STEPS AND PAYMENT CONDITIONS BY POLICY AREA



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