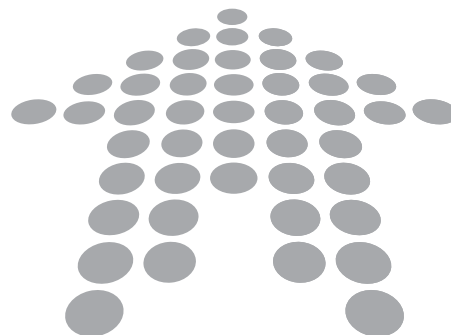




GREY BOOK 13

*Recommendations for removing administrative
obstacles for doing business in Serbia 2021 - Summary*



FOREWORD



Dejan Đokić
President of Executive Board
NALED



Dear members and partners,

After one of the most challenging years as far as we can remember, I am glad that we are able to present the 13th annual edition of Grey Book – the regulatory bible that contains 100 recommendations for cutting the red tape and improving the business conditions in Serbia. Even though the reform pace in 2020 expectedly declines, the 13 partially or fully implemented recommendations testify to the fact that the pandemic and emergency situation could not stop the process after all.

COVID-19 has changed the way we work and live. We learned many lessons the hard way. When it comes to bureaucracy – it turned out that we can and have to shift a large number of administrative procedures into the digital arena. In this direction, one of the implemented Grey Book recommendations in the past year was the introduction of electronic delivery of real estate cadaster decisions into citizens' eMailboxes on the eGovernment portal. Paired with resolving delivery via regular mail, and the process of obtaining real estate property certificates via public notaries, this will represent a major relief for approximately 500,000 citizens who buy or sell real estate a year.

Another resolved recommendation that particularly stands out is the introduction of electronic public procurement procedure and web portal which was used to publish nearly 10,000 procedures over the first six months of its implementation. Several pioneer and long-standing initiatives by NALED have been initiated, and even partially resolved during the previous year, such as the adoption of the new law on fiscalization, representing the first step toward expanding the scope of fiscalization and its digitalization, along with the announced introduction of a comprehensive system of eInvoices. Further on, a Working group has been established for expanding the scope of simplified procedure for registering seasonal works in areas such as construction, tourism and housework, and the spiral of debts by pharmacies to wholesalers was put to an end, which is particularly important bearing in mind the pandemic.

What makes the new edition of Grey Book stand out from all previous, is that it involves 15 recommendations marked with a “COVID-19 badge”, indicating the administrative obstacles whose resolving is highly important for overcoming the challenges faced by businesses and citizens during the pandemic. These recommendations mostly focus on digitalization and improved efficiency of the healthcare system, digitalization of procedures and further development of eGovernment, governing flexible forms of work engagement and work from home, and reducing the tax and para-fiscal burden on businesses.

Grey Book 13 symbolically brings 13 entirely new recommendations for the Government of Serbia, while other recommendations have been updated or improved. Even though the sector of finance still leads the way with the number of procedures it needs to resolve, nearly a fifth of recommendations are in joint jurisdiction of multiple institutions, reminding decision-makers, particularly in the light of the crisis caused by coronavirus, that we need to act together and do it quickly, through a comprehensive dialogue between the public, private and civil sector.

Togetherness is one of NALED's key values, and I would like to thank all members and the Executive Board for the support and contribution in developing Grey Book 13, our partners from international organizations, as well as the line institutions for the readiness to keep making greater reform steps in 2021.

PREFACE BY THE SCIENCE COUNCIL



Dušan Vujović
President of
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Goran Pitić
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Member of
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Dear members and partners,

On behalf of NALED's Science Council, we are honored to support the thirteenth annual edition of Grey Book, a publication that builds upon direct recommendations by businesses to articulate concrete recommendations to the Government of Serbia on how to improve the business environment and reduce the costs of administrative procedures.

The main strength of the current methodology of developing Grey Book is that it starts from authentic views of businesses operating in real legal and institutional environment for years. Their comments and proposed solutions are based on experience gained in direct contact with the state at all levels, from the Government and ministries to individual officials, officers and inspectors. Among businesses that have provided their contribution to Grey Book over the years, there are small, medium and large enterprises from nearly all production and service sectors, with the highest territorial coverage, which further contributes to the reliability, objectivity and empirical grounds of the nominated recommendations and proposed solutions.

Of course, with full respect of the realistic, concrete and practical offered solutions, it should be noted that at times, businesses mostly perceive their own side of the problem, with their recommendations not always considering the effects they may have on the overall economy and the society, nor the objective limitations bounding the state. In other words, without an adequate theoretical and analytical framework, they usually do not see clearly the bigger picture and the systemic character of some changes, i.e. a deeper and more complex connection between certain proposed solutions. On the other hand, there is a need for reaching previous consensus that would acknowledge all economic, political and social interests. The complexity of these processes and insufficient preparation of reforms are probably some of the reasons for a slower acceptance and realization of certain important proposals from the previous years.

The aim of the Science Council, in line with its mandate, is to take efforts so that we better understand the true sources of the identified problems and the nature of certain recommendations made by businesses that can be classified into several categories:

- 1. The first group includes recommendations that are sufficiently precise, empirically and theoretically grounded, and the proposed solutions are non-controversial (i.e. they have the support of all key stakeholders) and ready for direct implementation, be it through correction (amendments to existing) laws, by-laws or the manner a regulation is interpreted and implemented. As a rule, the fiscal (budgetary), administrative and organizational effects are well estimated, they confirm the justification of the proposed measures and do not pose any limits in implementation.*
- 2. The second group involves remarks and recommendations with a clear legal and empirical basis, but with asymmetrical effects on certain businesses (and sectors or regions), thus calling for additional analysis (and quantification) of effects and achieving consensus of certain interest groups (so-called political economy of the proposed measures). It should be assessed whether these recommendations should be formulated in two phases, with the first aiming to affirm the nature of the offered solutions, whose implementation is intentionally delayed (for two or three years) until the required impact analyses are performed and economic, political and social consensus achieved.*

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3. The third group refers to remarks and recommendations that, similar to the previous one, have clear legal and empirical grounds, but their implementation requires more detailed elaboration of the technical and process solutions, software development and training, and improving the institutional capacities of the state and all stakeholders so as to enable the finalization and implementation of proposals. At this point, NALED often provides support together with international partners and donors (this was the case with e-construction permitting, electronic system for hiring seasonal workers, or the online calculator for flat-rate taxation).
 4. Finally, the fourth group involves remarks and recommendations with an explicitly or implicitly systemic character that require additional empirical research and theoretical analyses in order to perceive all relevant economic and other effects, including the reactions of businesses to the changed measures, and build upon them in finalizing the proposed measures and proposing implementation models.

There are two examples that best illustrate this. One is the proposal for reducing the salary taxes and contributions in order to reduce the cost of employees and increase employment, while simultaneously reducing the shadow economy and consequently, generate possible increase of budget revenues. To ensure that this measure actually leads to reduced shadow economy and increased budget revenues, it is necessary for employers to significantly reduce or eliminate the practice of paying salaries in cash (without accompanying taxes and contributions). If this doesn't happen, we would not experience the multiplier effect of reducing the salary burden, but potentially even see further reduced tax revenues and lower rates of paid contributions.

Another example refers to the proposal for switching from VAT payment at the point of invoicing to the point of collection. Observed within the so-called partial equilibrium, this measure would reduce the required working capital of businesses, and consequently the cost of doing business. However, it would also influence the fiscal liquidity and the degree of complexity of administering this highly important source of tax revenues, which could have different net effects when observing the entire economy (so-called general equilibrium). The evaluation of full effects of this measure is particularly complex in the situation of parallel application of (modified) cash accounting in the public sector (budget) and accrual accounting by businesses.

In order to properly consider and evaluate the effects of proposals that cause such systemic changes, the decision-making process needs to be divided into several steps. The first step should include basic decision-making and initiate the development of studies that would estimate the net effect on the overall economy. The second step should involve proposals of legal and technical solutions, while the final preparation and implementation, along with the training of all stakeholders, should follow in the third step.

To ease the drafting and implementation of numerous quality solutions contained in proposals made by businesses, NALED will continue to perform analyses and methodological guides focusing on evaluating asymmetric economic and social effects of certain measures from group two, strategic elaboration of technical, process and management solutions from group three, and estimating the systemic effects of solutions from group four. This will help in shedding more light on the critical points and reducing the large cumulative burden of recommendations that have stalled in the process or preparation or implementation.

During 2020, out of 100 proposed recommendations, only two have been implemented fully and 11 partially. This slowdown was largely due to the emergency situation caused by the coronavirus pandemic. But the main reasons of delays, slow and partial implementation still lie in institutions' insufficient readiness and limited expert and technical capacities for elaborating and implementing recommendations.

The new, 13th edition, brings 13 new recommendations and repeats 87 non-realized proposals from the previous year – innovated, updated and modified. Out of the ten priority recommendations, those that particularly stand out are the ones focusing on modernizing public administration, improving transparency and reducing the costs of taxpayers (for example, the registry of non-tax charges, eAgrar – registry of agricultural holdings and incentives, and electronic healthcare record, cashless payment of fees and charges, unified certificate of paid taxes and modernization of foreign currency transactions). This also includes the proposal for reducing the burden on labor which is, as we already commented, significant and welcome, but its dimensioning and estimation of total effects in case of non-marginal changes of tax and contribution rates may require additional efforts. Additionally, the proposal for improving the system for wastewater treatment is important and reflects the urgent needs of population and the European trends. Certainly, the main obstacle for the implementation of all listed recommendations will be their technical and software realization.

OVERVIEW OF IMPLEMENTED REFORMS IN 2020

Even though the reform tempo achieved in 2019 was a promising one, the crisis caused by the COVID-19 pandemic left little room for implementing the reforms initiated in 2020.

Already in the first quarter, emergency situation has been declared in Serbia, and the public administration capacities focused towards reaching the main and most important goal – preserving the population health and the prevention of coronavirus spread. The regulatory activities that took place focused almost exclusively on decrees regulating the movement and gathering of citizens and the work of businesses, which led to reduced economic activities already in the first days of emergency situation. Hence, along with finding the way to protect the citizens health and save lives, the Government of Serbia also tried to take action and measures to reduce a drastic decline of economic activities, rise of unemployment, and prevent the observed market abuse.

With this goal, three packages of support measures for businesses have been adopted, worth a total of 675.9 billion RSD, i.e. around 12.5% of GDP, which ranked our country among the leaders in Europe by the relative scope of support. Largely thanks to the mentioned measures, registered employment has not significantly changed, as confirmed both by official statistics and survey results. It remains questionable whether the same can be estimated for unregistered employment, and a large number of people (particularly for lower paid works) working without any contract whatsoever.

In order to finance the growing healthcare expenses, but also the indicated support measures, the state had to take loans, so it is estimated that by the end of 2020 the public debt will reach a level of nearly 60% GDP, while the decline of economic activity will range between -1% (Ministry of Finance) and -2,5% (IMF and the World Bank).

IMPLEMENTED BUSINESS RECOMMENDATIONS FOR OVERCOMING THE CRISIS CAUSED BY COVID-19

Many of the Government measures were introduced through consultation and based on initiative by businesses, which testifies to the openness and flexibility of institutions during and after the emergency situation. Communication was established via the Serbian Chamber of Commerce and independent business associations such as NALED that, already in the first days of emergency situation, formed a COVID-19 digital platform (www.naled.rs/covid19) for identifying problems and solutions, providing legal assistance, informing businesses and the broad public, and collecting donations for the most vulnerable local communities and healthcare institutions. In slightly less than two months, hundreds of proposals and questions have been prepared or answered, a 85 were published on NALED website and sent to the Crisis Unit and the Government of Serbia.

The previous edition of Grey Book was prepared and published before the pandemic broke out, so it involved no special recommendations focusing on overcoming the crisis caused by COVID-19. However, immediately upon the declaration of emergency situation, NALED was the first to publish a set of 10 priorities for supporting businesses, followed by dozens of sectorial recommendations. Their overview is provided below.

10 priority measures for supporting businesses and preserving jobs

Out of the 10 priority measures proposed by NALED for supporting businesses and preserving jobs, the first support package adopted the following: a) possibility of deferred, interest-free payment of taxes and contributions; b) enabling access to cost effective or interest-free loans for ensuring liquidity and refinancing liabilities; c) direct financial support to businesses; d) introducing a moratorium of at least three months for the repayment of bank loans and all liabilities to the state. Additionally, a recommendation nominated by NALED and other philanthropic organizations for abolishing VAT on donations during the emergency situation has also been accepted.

15 urgent measures for the healthcare system

Out of the 15 urgent measures for better functioning of the healthcare system during COVID-19 provided by NALED to the Crisis Unit, the following have been implemented: a) the decision prohibiting the export of medicines has been abolished, thus enabling smooth supply of the previously planned medicines to the countries in the region, and avoiding shortage of medicines, particularly the ones not related to the conditions caused by COVID-19; b) automatic extension of prescriptions for patients with chronic illness (so-called electronic therapy) has been enabled through the application ePrescription, noting that certain technical difficulties occurred in implementation; c) electronic application was enabled to obtain permits for vehicles delivering medicines and medical devices during lockdown hours.

Five urgent measures for helping farmers and beekeepers

Out of five urgent measures proposed by NALED to help farmers and beekeepers, three have been adopted: a) financial support has been provided to agricultural holdings – two decrees were adopted, assigning financial aid to agricultural holdings of total value of 2.6 billion RSD, as well as the decree stipulating purchase of surplus fattening cattle, in the value of 236 million RSD; even though this set of measures was very welcome during the struggle with epidemiological situation, there is an impression that these would support only short-term recovery and primarily for small farmers; b) field work was enabled during the emergency situation with a permit, which could be applied for electronically – however, farmers had to obtain individual permits for each day of work, which represented a major administrative burden, and additionally, farmers older than 65 or 70 were not allowed to go to their fields; and c) eMarket portal was initiated, establishing a registry of agricultural producers for a start, which was certainly a step forward, but it did not enable option of direct orders and purchases via website.

20 measures for supporting the construction industry and transport

NALED also nominated 20 measures for supporting the construction industry and the areas of infrastructure and transport, of which the following have been implemented: a) thanks to the coordination between the Ministry of Construction and the Ministry of Interior, stations have been designated across Serbia, working non-stop, where trucks would receive the approved movement routes, which prevented the formation of large convoys at the border. Additionally, a green corridor was set up in May to allow border crossing for trucks in the Western Balkans; b) the Ministry issued a decision that prolonged the deadline for using old vacation from 2019 until the end of 2020, which enabled employers to better organize their work during the emergency situation; c) obtaining movement permits for carriers was enabled through electronic procedure; d) in addition to the previously introduced general measures, the state allocated additional support to the transport sector that lost around 200 million euros in revenues due to the coronavirus. On the other hand, it is also important to note that an important recommendation made by NALED, to introduce deferred payment of liabilities to the state and urgent settlement of liabilities that state had towards the carriers was not accepted – on the contrary, the Ministry of Finance informed local governments to postpone the payment of liabilities towards businesses.

OTHER MEASURES SIGNIFICANT FOR COVID-19

Unique contact center for inspections established

To prevent market irregularities during the pandemic, such as illegal increase of the price of groceries, medicines and protective equipment, only five days after the declared emergency situation, a unique Contact center for inspections was established. The Contact center was initiated by the Government in cooperation with NALED and with the support of the European Bank for Reconstruction and Development, and the key role was borne by the Ministry of Public Administration and Local Government, the Support Unit to Coordination Commission for Inspection Oversight and the Office for IT and eGovernment. Citizens and businesses could report any noted irregularities or shadow economy via phone or online via website inspektor.gov.rs. The operators performed classification of the received reports which were then sent to line inspections for further action within the prescribed deadlines. During the pandemic, the Contact center received an average of 1,600 reports a week, and the total number of received reports by January 2021 was more than 16,000.

Efficient vaccination system set up

In 2020, the expert team of the Government of Serbia and the Office for IT and eGovernment worked on establishing a unique information system for managing vaccination, which ranked our country among the very best in Europe when it comes to organizing the immunization of citizens. Mass vaccination of Serbia's citizens was initiated in January 2021, and the electronic system enables efficient management of the available vaccines by monitoring each vial from the point of its entry in the country to its use. Additionally, the system enables all interested citizens to apply for vaccination via the eGovernment portal by filling in a simple online form, or via Contact center, and afterwards they would receive the scheduled date for their vaccination via SMS and e-mail. Citizens are vaccinated at 400 points throughout the country, and by early February 2021, more than a half million have received their vaccine, out of nearly a million citizens that applied. Thanks to the electronic system, as well as the flexibility of state leadership in obtaining vaccines from various producers, Serbia is ranked second by the number of vaccinated people per million, right next to Great Britain.

FURTHER DEVELOPMENT OF ELECTRONIC SERVICES

Judging by the Grey Book recommendations, as well as the adopted eGovernment Development Program from 2020, stipulating as much as 300 new electronic services for citizens and businesses in the following two years – Serbia is in full swing of digitalization, which has proven to be extremely important since the pandemic started.

Electronic public procurement procedure established

The Law on Public Procurement from 2019 stipulates the introduction of electronic portal for public procurement. Starting from 1 July when the Law provisions came into force, all communication between the purchaser and potential bidders in the public procurement process, from the point of posting an open call, through submission of bids, to signing of contracts, is performed via the public procurement portal, publicly available at jnportal.ujn.gov.rs. Over a period of 6 months, around 10,000 ads and open calls have been posted, and slightly more than 11,000 procedures performed. Among other things, the Public Procurement Office is in charge of performing monitoring and preparing annual reports on the performed procedures.

Electronic delivery of decisions and improved registration in the real estate cadaster

Amendments to Article 39 of the Law on Registration in the Real Estate and Utility Lines Cadaster from 2020 enabled decisions issued by the RGA to be delivered in the form of electronic document into citizens' unique electronic Mailbox. On the other hand, the Law stipulate that, if a person does not have an account on the eGovernment portal, the decision can be delivered in the form of a printed copy of electronic document, by registered mail via post office. The thing that has bothered citizens for years is that these items were often returned to the RGA central office in case the post operator does not find the recipient at the address at the time of delivery, resulting in more than 90% decisions not being delivered. Law amendments enabled that shipments are first stored in the nearest post office in case of unsuccessful delivery and returned to RGA only after 15 days since the attempted delivery. Additionally, in case a party does not receive the item, RGA publishes the decision on its website, and it is considered delivered upon 30 days since being published.

The adoption of the Decree on the conditions for issuing a real estate certificate resolved the problem that has been bothering citizens and businesses in Serbia for years. The Decree allows parties to no longer visit the RGA counters to obtain the certificate, as they can perform all activities related to transfer of real estate with a public notary, who is linked with the real estate cadaster via eCounter.

STATUS OF GREY BOOK RECOMMENDATIONS

The past 12 editions of Grey Book have presented a total of 268 recommendations for improving the business environment. Out of this number, 72 have been resolved fully (27%), and 59 partially (22%), which means that nearly a half have reached the legislators. In 2020, 13 recommendations were implemented, to a greater or lesser extent, indicating a slightly slower reform tempo, largely due to the coronavirus pandemic. However, excluding the very active reform year of 2019, the result is not any worse than the 12-year average. Only two reforms have been implemented fully and 11 partially, hence a conclusion that institutions need to invest more energy to offer complete rather than partial solutions.

Most recommendations were once again fully or partially resolved by Ministry of Finance, not surprisingly bearing in mind their importance for the economy, reflected in the total number of recommendations for this sector. In 2020, a functional eProcurement portal was established, as well as the long-awaited Law on Fiscalization, announcing its expansion and modern software for data processing and real-time communication between Tax Administration and fiscal cash registers. Citizens no longer need to provide proof of payment for court fees, though most administrative fees still call for payment orders. Salary burden was further decreased, though insignificantly, and new e-services introduced on the eTaxes portal.

Another fully resolved reform was performed by Ministry of Construction, Transport and Infrastructure, i.e. Republic Geodetic Authority, enabling electronic delivery of decisions into eMailboxes or via post office for citizens that do not have accounts on eGovernment portal. Positive contribution was also made by Ministry of Health – working on healthcare institutions network optimization plan and resolving the debts of state pharmacies; Ministry of Trade, Tourism and Telecommunications and Ministry of Public Administration and LG – with further rise of eGovernment, from the Central Registry of Population to eDelivery; Ministry of Labor, Employment, Veteran and Social Affairs that initiated expansion of simplified registration of seasonal workers; and National Bank of Serbia that worked on establishing procedures for ceasing claims. The status of recommendations from the previous Grey Book is provided below.

GREY BOOK 12: STATUS OF IMPLEMENTING RECOMMENDATIONS

#	LINE INSTITUTION	NUMBER OF RECOMMENDATIONS	RESOLVED	PARTIALLY RESOLVED	UNRESOLVED
1	Ministry of Finance	29	1	4	24
2	Ministry of Economy	6	0	0	6
3	Ministry of Health	5	0	2	3
4	Ministry of Labor, Employment, Veteran and Social Affairs	4	0	1	3
5	Ministry of Construction, Transport and Infrastructure	5	1	0	4
6	Ministry of Justice	6	0	0	6
7	Ministry of Agriculture, Forestry and Water Management	7	0	0	7
8	Ministry of Environment Protection	4	0	0	4
9	Ministry of Interior	3	0	0	3
10	Ministry of Culture and Information	1	0	0	1
11	Ministry of Mining and Energy	1	0	0	1
12	Ministry of Trade, Tourism and Telecommunications	1	0	1	0
13	Multiple ministries	21	0	2	19
14	National Parliament and the Legislation Secretariat	1	0	0	1
15	National Bank of Serbia	3	0	1	2
16	Local government	3	0	0	3
	TOTAL	100	2	11	87

10 PRIORITIES OF GREY BOOK

GREY BOOK 13: TEN PRIORITY RECOMMENDATIONS

#	RECOMMENDATION TITLE	LINE MINISTRY
1.3	Reduce the burden on salaries	Ministry of Finance
1.23	Establish public electronic registry of non-tax charges	Ministry of Finance
1.24	Enable cashless payment of fees and charges without submitting proof of payment	Ministry of Finance
3.3	Establish electronic healthcare record	Ministry of Health
4.5.	Expand the simplified registration of seasonal workers	Ministry of Labor, Employment, Veteran and Social Affairs
5.2	Abolish the fee for conversion of the land use right to ownership right	Ministry of Construction, Transport and Infrastructure
7.1	Introduce online registry of agriculture holdings and incentives (eAgrar)	Ministry of Agriculture, Forestry and Water Management
13.4	Enable issuing of a unified certificate of paid taxes	Ministry of Finance Office for IT and eGovernment
13.16	Improve the system of wastewater treatment and control	Ministry of Environment Protection Ministry of Agriculture, Forestry and Water Management
14.1	Abolish excessive bureaucracy in foreign currency transactions	National Bank of Serbia

PRIORITIES IN THE CONTEXT OF COVID-19

The results of NALED's survey about the impact of COVID-19 crisis on Serbian economy from November 2020 have shown that 90% businesses estimate their work results in 2020 as worse compared to the previous year. The generated revenues are lower, while the expenses remain the same or even higher. Research has shown the service sector and tourism as particularly affected. As viewed by businesses, it will take at least a year to return to the previous level of operations.

Bearing in mind the current situation caused by COVID-19 and the need to have state administration better prepared for the "new normal", Grey Book 13 draws particular attention to those recommendations that could contribute in dealing with specific challenges caused by the pandemic and help businesses in overcoming the crisis. In this context, 15 most significant recommendations have been designated with a special "COVID-19 badge".

GREY BOOK 13: RECOMMENDATIONS WITH COVID-19 BADGE

#	RECOMMENDATION TITLE	LINE MINISTRY
1.3	Reduce the burden on salaries	Ministry of Finance
1.8	Introduce the category of micro enterprises in the Decree on the rules for allocating state aid	Ministry of Finance
1.15	Reduce the VAT rate on raw materials for the production of medicines	Ministry of Finance
3.1	Integrate the systems of private and state healthcare service providers	Ministry of Health
3.2	Improve the healthcare institutions network plan and centralized public procurement	Ministry of Health
3.3	Establish electronic healthcare record	Ministry of Health
3.5	Optimize and digitalize the procedure for obtaining a medicine permit	Ministry of Health
3.6	Enable exercising the right to healthcare insurance without previous work record	Ministry of Health
4.1	Regulate the non-standard forms of work engagement	Ministry of Labor, Employment, Veteran and Social Affairs
4.2	Regulate more precisely the work outside of employer's premises	Ministry of Labor, Employment, Veteran and Social Affairs
4.5	Expand the simplified registration of seasonal workers	Ministry of Labor, Employment, Veteran and Social Affairs
9.1	Introduce the obligation of issuing an ID with a chip and built-in qualified electronic signature	Ministry of Interior
13.1	Enable workers employed by non-residents to exercise the rights from pension and healthcare insurance	Ministry of Labor, Employment, Veteran and Social Affairs Ministry of Finance
13.8	Enable more efficient process of obtaining movement permits for trucks	Ministry of Interior Ministry of Construction, Transport and Infrastructure
13.10	Enable full application of electronic delivery in public administration procedures	Ministry of Public Administration and Local Government Ministry of Trade, Tourism and Telecommunication Office for IT and eGovernment

100 GREY BOOK RECOMMENDATIONS

The new, 13th edition of Grey Book contains 100 selected and further improved recommendations made by NALED members and a broader community for removing administrative obstacles to doing business in Serbia. This edition involves 13 new recommendations, appearing in the publication for the first time. Furthermore, all old recommendations have been improved and modified so that they take into account any amendments to regulations, if they occurred in the given area, as well as the reforms that occurred in other fields that could potentially create room for some new, improved or different solutions. Several outdated, or currently less important recommendations from last year's edition have been left out.

Like every year, the highest number of recommendations is in the jurisdiction of the Ministry of Finance, while a large number also requires joint action of several institutions, which points out to the importance of cooperation and coordination of all departments in order to achieve better results. The recommendations and the 10 priorities of the latest Grey Book edition are listed below.

GREY BOOK 13: OVERVIEW OF RECOMMENDATIONS

#	LINE INSTITUTION	NUMBER OF RECOMMENDATIONS	NEW	OLD
1	Ministry of Finance	28	2	26
2	Ministry of Economy	7	0	7
3	Ministry of Health	7	2	5
4	Ministry of Labor, Employment, Veteran and Social Affairs	5	1	4
5	Ministry of Construction, Transport and Infrastructure	4	1	3
6	Ministry of Justice	6	0	6
7	Ministry of Agriculture, Forestry and Water Management	7	2	5
8	Ministry of Environment Protection	6	3	3
9	Ministry of Interior	2	0	2
10	Ministry of Culture and Information	1	0	1
11	Ministry of Mining and Energy	1	0	1
12	Ministry of Trade, Tourism and Telecommunications	2	0	2
13	Multiple institutions	18	2	16
14	National Bank of Serbia	4	0	4
15	Local government	2	0	2
	TOTAL	100	13	87

1. MINISTRY OF FINANCE

1.3 REDUCE THE BURDEN ON SALARIES

PROBLEM DESCRIPTION

Article 44 of the Law on Contributions for Mandatory Social Insurance prescribes high rates at which salary contributions are calculated and paid (in 2021, 25.5% for mandatory pension and disability insurance, 10.3% for mandatory health insurance and 0.75 % for unemployment insurance). Article 16 of the Law on Personal Income Tax prescribes that the salary is taxed at the rate of 10%, and Article 15a that the non-taxable amount of salary in 2021 is 18,300 dinars. The basis for calculation is the gross 1 salary that includes taxes and contributions paid from the salary (considering the definition of salary in Article 105, paragraph 2 of the Employment Act). The burden on net earnings was reduced from 63% in 2018 to 61% in 2020.

Despite the increase of the non-taxable amount, by raising the minimum wage from 27,022 dinars in 2019 to 30,022 dinars in 2020, the intended relief on the lowest wages was (for many employers) practically annulled.

Despite the mentioned ease of burden to wages, the imposed liabilities are still too much of a burden for employers, resulting in increased shadow economy and unfair position of employers who register employees and pay all taxes and contributions to the full amount of contracted salaries. There is also a trend of using dividends instead of salaries to pay employees, particularly management, since dividends are taxed at a rate of 15% according to the Individual Income Tax Law. In order to eliminate the shadow economy, it is necessary to further reduce the tax burden on labor. Otherwise, we can expect that the tax collection on these grounds will continuously decline, as a part of businesses will shift from the legal flows to the shadow zone, while businesses that regularly pay their tax liabilities will be less competitive and either reduce the volume of work or shut down their business.

PROPOSED SOLUTION

We propose an amendment to Article 44 of the Law on Contributions for Mandatory Social Insurance and Article 16 of the Individual Income Tax Law, so as to reduce the rates at which salary taxes and contributions are calculated and paid by at least 30%, along with the introduction of progressive taxation of salaries through amendments to the Individual Income Tax Law.

We also propose a reduction in the minimum basis for calculating contributions for part-time employees.

Additionally, we believe that the state should consider eliminating contributions for mandatory health insurance and introducing Beveridge's model of healthcare funding. It implies the financing of healthcare from general taxes, which would ensure healthcare provision for all citizens regardless of their employment status.

The adoption of the proposed changes would significantly ease the burden on businesses, improve the business environment and unlock the funds for new employment and/or investment.

Starting from 1 January 2020, the provisions of the Law on Contributions for Mandatory Social Insurance from 2019 came into force, reducing the contributions for pension and disability insurance from 26% to 25.5%. Additionally, amendments to the Law on Personal Income Tax increased the non-taxable amount of monthly salary from 16,300 to 18,300 RSD, which further led to effective reduction of the burden on gross salaries. Further on, articles 45g, 45d, 45d and 45e also governed the exemption or reduction of contributions for employers that engage in innovative activities or hire a qualified new employee, that were implemented in 2020, and are further extended to 2021. All of the above resulted in a reduced effective burden on labor. However, significant reform steps towards reducing this burden are still to be taken, since the current reductions are being quite small, hence the recommendation is classified as partially resolved.



COVID-19

REGULATIONS

- Law on Contributions for Mandatory Social Insurance (“Official Gazette of RS” no. 84/2004, 61/2005, ..., 86/2019)
- Individual Income Tax Law (“Official Gazette of RS” no. 24/2001, 80/2002, ..., 86/2019)

1. MINISTRY OF FINANCE

1.23 ESTABLISH A PUBLIC ELECTRONIC REGISTRY OF NON-TAX CHARGES

PROBLEM DESCRIPTION

The fiscal system in Serbia, according to the Budgetary System Law, recognizes two basic categories of revenues: tax and non-tax revenues. Non-tax revenues involve fees, charges, fines and revenues resulting from the use of public funds.

In the previous ten or more years, the main problem has been the insufficiently clear distinction between fees and charges, in the course of introduction, calculation, collection and distribution of revenues between different levels of government. An additional problem is that certain types of introduced non-tax duties represent hidden taxation, i.e. para-fiscal charges. Furthermore, a large number of fees and charges were introduced by by-laws and/or local government decisions, rather than by law.

The first significant step in the regulation of non-tax duties was made in 2018, with the drafting and adoption of the Law on Fees for the Use of Public Goods. Its application prevented the uncontrolled introduction of para-fiscal charges, which contributed to greater transparency of non-tax revenues. However, this solved only a part of the problem, given that the area related to fees and other para-fiscal charges remained unregulated. In practice, having a large number of diverse and significantly inconsistent regulations has had a negative impact on the business environment, i.e. it has negatively affected the predictability and transparency of the fiscal system.

Additionally, the methodology and manner of determining the costs of providing public services (Rulebook from 2013) does not provide precise parameters for determining the price of a particular public service, i.e. the amount of a fee. As a result, in most cases, the amount of fee is not adequately measured, which is especially reflected in the different amounts of fees prescribed by local governments for the same service. In that sense, it is particularly difficult to control the amount of fee, especially since the Budgetary System Law prescribes that the amount of a fee must be appropriate in line with the cost of public service provision and must be determined in absolute amount, rather than a percentage of a variable basis.

PROPOSED SOLUTION

We recommend that the Ministry of Finance, in cooperation with other line ministries, should prepare a regulation establishing a public electronic registry of non-tax charges on the republic, provincial and local levels, with constitutive effect. In practice, this means that a certain non-tax charge could be collected only if it is previously entered in the electronic registry.

Additionally, there is a need to define a uniform methodology for determining the amount of fees and charges in order to control whether the amounts are appropriate to the cost a public authority has when providing a public service, bearing in mind that currently different local governments charge a significantly different level of fees for the same service. At the same time, the current Rulebook on the methodology and manner of determining the costs of providing public services should be abolished.

The Law should regulate the following: the scope of non-tax charges that are entered in the registry, the procedure for their entry in the registry; the authority designated to control the entry; the legal effect of registration; the principles of keeping a registry; the methodology for determining the amount of non-tax charge; the taxpayer; the public administration body that collects a certain non-tax charge; affiliation of non-tax revenue.

Systematic regulation of non-tax revenues area would significantly ease the business conditions, given that all relevant information on fees and charges would be available at a single place, within the electronic public registry of non-tax levies.

During 2020, the USAID-supported project implemented by KPMG and NALED listed over 900 charges collected by users of public funds at the national and provincial level, along with more than 2300 tariff rates, for a sample of 35 local governments, all with the aim of analyzing the current situation. The analysis determined the actual nature of the listed charges and provided proposals for reclassification, merging or abolition of certain fees in the future registry. Activities and steps in the direction of defining the structure of the registry, more detailed analyzes and development of appropriate normative proposals, are underway and their implementation is expected during 2021.

REGULATIONS

- Rulebook on the methodology and manner of determining the costs of providing public services (“Official Gazette of RS” no. 14/2013, ..., 99/2013)
- Law on Fees for the Use of Public Goods (“Official Gazette of RS” 95/2018, ... ,156/2020 adjusted RSD amounts)
 - Budget System Law (“Official Gazette of RS” no. 54/2009, ..., 149/2020)
 - Law on Republic Administrative Fees (“Official Gazette of RS” no. 43/2003, ...,144/2020)
- Local government decisions on local administrative fees, local utility fees and determination of contributions for arranging construction land

1. MINISTRY OF FINANCE

1.24 ENABLE CASHLESS PAYMENT OF FEES AND CHARGES WITHOUT SUBMITTING PROOF OF PAYMENT

PROBLEM DESCRIPTION

Public administration and courts in their business collect fees, charges and other payments for the procedures they conduct, but without the possibility of insight/verification whether the necessary payments have been made for a particular request/case. Therefore, and due to the formal obligation of the party to submit proof of payment with the request, prescribed primarily by the Law on Republic Administrative Fees, but many other regulations as well, contrary to Articles 9 and 103 of the Law on General Administrative Procedure, the parties are imposed an obligation of submitting evidence on the facts that are officially tracked by the Treasury, which significantly complicates ePayments, since the only evidence considered eligible is the official document by a payment institution that managed the payment. Given that many procedures require several payments to different accounts, even in the case of card payments via the eGovernment portal, the parties are charged with a fee for each of the payments, instead of one transaction cost.

The consequence of this situation is the inability of institutions that conduct procedures to identify abuses such as submitting payment slips for canceled payments, adding extra numbers on a copy of payment slip, etc. Therefore, there is a discrepancy between the number of services provided and the amount of fees charged, being very difficult to identify the perpetrators.

PROPOSED SOLUTION

Amendments to the Rulebook on the conditions and manner of keeping accounts for the payment of public revenues and the distribution of funds from those accounts would enable the opening of new sub-accounts for each service provider, which could be used to pay several fees and charges for the same procedure at a single account, in a single transaction. In the Law on Republic Administrative Fees, Articles 14, 15 and the misdemeanor provision of Article 31, item 5) should be amended so as to reformulate the obligation of a party to submit proof of payment into the obligation to make the payment, while Article 4, paragraph 6 and item 2) and 6) from Article 31 should be entirely deleted. Namely, a line institution is obliged to perform certain actions following special regulations within a certain period of time, even when the fee has not yet been charged, and afterwards initiate the procedure of its payment, in line with their authority and obligation according to Article 14, paragraph 4 of this Law. Non-cash payments should be enabled in all proceedings managed by state administration bodies and courts.

The introduction of changed program for automatic management of cases in magistrate and higher courts (AVP) related to court fees, enabled automatic designation of payments through the system, so that there is no need to submit payment slips as proof of payment for all fees determined through this program. In cooperation with the Treasury Administration of the Ministry of Finance, the Central Court Fees System has been introduced, which automatically assigns a unique reference number for each fee. By accurately stating the reference number when making the payment, the fee is automatically distributed, without the need to submit proof of payment to the acting court. In addition to the previously enabled electronic payment of fees/charges for services provided through the eGovernment portal, these improvements provide the basis for the development and establishment of an integrated system for all administrative procedures.


PARTIALLY
RESOLVED

REGULATIONS

- Law on Republic Administrative Fees (“Official Gazette of RS” no. 43/2003,...,90/2019)
- Rulebook on the conditions and manner of keeping accounts for the payment of public revenues and the distribution of funds from those accounts (“Official Gazette of RS” no16/16, 49/16, 107/16, 46/17, 114/17, 36/18, 44/18, 104/18, 14/19, 33/19, 68/19 i 151/20)

3. MINISTRY OF HEALTH

3.3 ESTABLISH AN ELECTRONIC HEALTH RECORD

PROBLEM DESCRIPTION

According to Article 46 of the Law on Health Record and Designated Record Set, all patients have a formed electronic medical record, involving all medical data and documentation based on records managed in state and private healthcare institutions and information systems of healthcare organizations.

Additionally, the same Law, the Law on Health Care and accompanying bylaws, define the use of Integrated Healthcare Information System (IZIS), designed as a single system that includes all electronic services for patients and public healthcare institutions, including the patients' Electronic Health Records.

In practice, however, IZIS does not provide all the necessary data about the patients from their medical records. For example, in practice, a record does not always show all referral notices a patient was given, or reports issued by specialist doctors about performed examinations, X-rays performed in other healthcare institutions etc. Additionally, a patient's health record currently does not involve data from private practices, including private laboratories, which finally leads to incomplete data and makes it harder to follow a patient's illness.

These shortcomings occur due to the lack of standards for keeping records, unclear protocols for accessing data, and inability to integrate the local and central systems, which leads to patients' data being "trapped" on the local level, thus resulting in inefficient healthcare system.

At the same time, the lack of data about healthcare institutions (such as human capacities, number of available beds, available equipment, infrastructure etc.) which would be available in real time to institutions' management, Ministry of Health or the Government of RS, disables efficient management of healthcare policy.

PROPOSED SOLUTION

To make healthcare more efficient, and enable management of resources in this field, there is a need to establish a unique central system of electronic medical records, an online registry of material and human resources in healthcare, and to cross-link these two. In order to establish an electronic medical record, there is a need to:

- Amend regulations so as to define the data a patient's unique electronic record should contain, define standards and clear procedures for data entry and record keeping, as well as the right to access data. The unique record file should incorporate the data from the private sector as well.
- Define the technological solutions for managing a medical record, which would enable integration of data from all medical institutions and monitoring of illness history regardless of the point of medical treatment.
- Enable doctors at all levels of healthcare to use their local systems to access a patient's medical record so that they have all data about the examinations, diagnoses and prescribed therapy that might influence the decision about the treatment.
- Train everyone in charge of keeping medical records and abolish the obligation of keeping files in paper healthcare records.
- Enable patients to access their health data online, in an easy and intuitive manner, but also define the manner a patient can manage their data (delegate access to other persons, limit access to certain data, see reports on who accessed their data etc).

Since the idea of electronic health record has already been worked on, but it hasn't been widely applied, full implementation of this system and other registries and services for patients and doctors requires a strategic and coordinated approach towards further development of digital healthcare in the Republic of Serbia. With the establishment of a Coordination Body for eHealth Development (CB) and the development of Strategic program, there is a need to define priorities in further development of eHealth, define all necessary activities on the regulatory and technological plan, define a long-term mechanism for management and implementation of strategic projects and ensure the necessary knowledge and capacities for the development of eHealth.



COVID-19

REGULATIONS

- Law on Health Record and Designated Record Set ("Official Gazette of RS" no. 123/2014, ..., 25/2019)
- Law on Health Care ("Official Gazette of RS" no. 25/2019)
- Accompanying by-laws

4. MINISTRY OF LABOR, EMPLOYMENT, VETERAN AND SOCIAL AFFAIRS

4.5 EXPAND THE SIMPLIFIED REGISTRATION OF SEASONAL WORKERS

PROBLEM DESCRIPTION

According to the Analysis of the scope of shadow economy in Serbia performed by NALED in 2018, a significant part of shadow economy in Serbia is caused by unregistered labor, particularly in certain areas. It was estimated that the activities and types of jobs such as housework and auxiliary activities, collection of secondary raw materials, tourism and hospitality, creative work and construction, have an occasional, temporary or seasonal character. At the same time, the administrative procedures for hiring workers for these types of jobs are even more complicated than those for the regular workers (bearing in mind the insurance grounds), which is one of the reasons employers refrain from registering workers who work occasionally, often for just a few days. Furthermore, the cost of hiring occasional or temporary workers, in terms of taxes and contributions, are disproportionally high, since the non-taxable amount of 18,300 RSD does not apply in case of Agreement on temporary or occasional jobs, since this is considered work outside of employment relation.

As a result of this situation, there is unfair competition among employers, while a large number of workers are not entitled to any rights, and the national budget is at loss.

PROPOSED SOLUTION

Bearing in mind the positive effects of introducing simplified electronic system for registering seasonal workers in the field of agriculture, we propose that an expansion of this system to other types of works that have occasional, temporary or seasonal character should be considered.

Additionally, bearing in mind that, depending on the overall course of development, the need for occasional, temporary or seasonal works may occur in additional areas of work as well, the first step would be to perform detailed sectorial analyses to determine whether there is a need to introduce such form of registering workers, what would be the effects, and what would be the best manner to introduce the system so that it generates the best effects. We propose that detailed sectorial analyses should first be performed for the areas of housework, collection of secondary raw materials, hospitality and tourism, creative industries and construction. Based on the analysis findings, the following step would be the amendment to the Law on Simplified Work Engagement on Seasonal Works in Certain Areas, so as to include new areas the Law would apply to, while taking into account the sector-specific characteristics.

With the support of NALED and GIZ, a simplified electronic system for hiring seasonal workers in agriculture was introduced in 2018. The system was used to register around 27,000 seasonal workers during the first year of its implementation only, which is 10 times higher than the number of registered workers in 2018. Furthermore, around 245,000,000 RSD has been paid to the national budget based on accompanying taxes and contributions. With the support of German Development Cooperation, in 2020 NALED prepared an ex ante analysis for expanding the system for simplified work engagement to other areas as well, including housework and auxiliary activities, collection of secondary raw materials, tourism and hospitality, creative industries and construction. It was estimated that the system for simplified work engagement as defined in the Law on Simplified Work Engagement can be applied to all of the listed areas, with certain adaptation to accommodate sector-specific characteristics, except the area of collection of secondary raw materials. The Working Group for Law Amendments was formed in December 2020, which will use the analysis results to formulate the amendments expected during 2021. The further expansion of simplified procedure for seasonal workers is supported by NALED and the UK's Good Governance Fund.



COVID-19

REGULATIONS

· Law on Simplified Work Engagement on Seasonal Works in Certain Areas ("Official Gazette of RS" no. 50/2018)

5. MINISTRY OF CONSTRUCTION, TRANSPORT AND INFRASTRUCTURE

5.2 ABOLISH THE FEE FOR CONVERSION OF THE LAND USE RIGHT INTO OWNERSHIP RIGHT

PROBLEM DESCRIPTION

The state has the authority to complete the transformation of ownership over land, but it does not manage to do so as stipulated by relevant laws. Namely, the Law on Planning and Construction from 2009 was meant to resolve the legal property issues over land owned by businesses. However, such resolution failed to happen since a new law was adopted in 2015, the Law on Conversion of the Right to Use into Ownership Right for Construction Land with a Fee, which prevented automatic free conversion of land for all entities under the same conditions. As a result, in 2020 around 5,000 hectares of construction land remains „locked“.

Namely, this Law stipulates an obligation of paying a conversion fee for entities that gained the property in the process of privatization, insolvency or enforcement procedure, which blocks their investments, but causes even greater losses for the state itself. In addition to non-realized investments and new jobs, businesses experience further loss due to the fact that they bought something at a point when conversion wasn't even possible, and now they need to pay again, while not being able to invest into their existing property where construction is prohibited, and also having difficulties to sell it due to unresolved conversion issues, which diminishes land value. While implementing the Law, the state generated some revenues based on the fee, while on the other hand losing much more based on non-collected property taxes or tax on the transfer of absolute rights, but mostly due to non-realized investments.

PROPOSED SOLUTION

We propose enabling of automatic entry of ownership rights into the real estate cadaster for all entities that have the right to use a land, including the entities that are obliged to pay the conversion fee, as this is the only manner to consistently apply the principle of real estate unity.

We also propose that the Law on Conversion of the Right to Use into Ownership Right for Construction Land with a Fee (Official Gazette of RS No. 64/2015 and 9/2020) should be abolished, since conversion should be enabled without a fee.



NEW

REGULATIONS

- Law on Planning and Construction (Official Gazette of RS, No. 72/2009,..., 9/2020)
- Law on Conversion of the Right to Use to Ownership Right for Construction Land with a Fee (Official Gazette of RS No. 64/2015 and 9/2020)

7. MINISTRY OF AGRICULTURE, FORESTRY AND WATER MANAGEMENT

7.1 INTRODUCE ONLINE REGISTRY OF AGRICULTURAL HOLDINGS AND INCENTIVES (E-AGRAR)

PROBLEM DESCRIPTION

The Agrarian Payments Directorate has been established in 2009 within the Ministry of Agriculture, Forestry and Water Management, in line with the Law on Agriculture and Rural Development, having the key role in the awarding of incentives in agriculture.

Along with the IPARD support approved from the EU funds, farmers in Serbia can currently apply for incentives from the national budget (the so-called national measures). The Agrarian Payments Directorate oversees the majority of national measures, but due to a lack of branch offices on the local level, a part of these measures, such as the incentives for plant production, have been assigned to the Treasury Administration.

The Registry of agricultural holdings (RPG) is a database of all potential beneficiaries of incentives in the field of agriculture. RPG is currently managed and updated by the Treasury Administration, as a task delegated by the Agrarian Payments Directorate. The process of registering or changing the data in the RPG is outdated and requires a farmer to submit numerous evidence that are already kept in the official records. Additionally, to approve any incentive to a farmer, the Agrarian Payments Directorate uses four different systems: The Registry of agriculture holdings (currently managed by the Treasury), the Real Estate Cadaster managed by Republic Geodetic Authority, Database of Animals kept by the Veterinarian Directorate, and the database of national measures kept by themselves. These records/registries are not mutually connected, which leads to a situation where farmers need to submit the data that are already kept in official records, as well as the proof of land ownership or lease, or ownership of animals, over and over again. On the other hand, the line institutions need to verify each data manually and individually, and retype it into their databases, which creates much room for error.

Analyses have shown that the procedure of registering an agriculture holding and approving a subsidy calls for a farmer to submit around 90 pieces of data in more than 10 various documents, of which at least 60% is unnecessarily asked for (either repeated several times, or already being kept in other public records).

PROPOSED SOLUTION

The Ministry of Agriculture and the Agrarian Payments Directorate need to simplify their procedures by eliminating the outdated processes and introducing an electronic one-stop-shop “eAgrar” for the registration of households and awarding incentives. It should be ensured that digitalization of RPG and the incentives application is performed in the context of introduction of an integrated system for controlling agrarian payments (IACS). In this regard, there is a need to:

- Amend the Law on Agriculture and Rural Development and the rulebooks arising from the Law;
- Develop a software that would unify the data from the Registry of Agricultural Holdings and the database on national measures;
- Enable automatic use of data from the Real Estate Cadaster and the Database of animals on a daily basis;
- Optimize the procedure for registering an agricultural holding and the procedure for approving subsidies by enabling electronic filing of applications.

The introduction of eAgrar system would make the process of RPG registration and allocation of incentives significantly easier, faster and more transparent. It is estimated that the introduction of such system would save up to 85% expenses of agricultural producers. Additionally, by linking more than 20 public registries, the eAgrar would ensure better field control for the line ministry, and better planning of agricultural policy.

Even though the recommendation has not yet been resolved, the first steps towards resolving it have been made. The working groups of the Ministry of Agriculture, and later the Government of RS, have been established in 2018 and 2019, and with expert and technical support provided by NALED they analyzed in detail the current manner of managing the RPG and the manner of approving national incentives, providing a proposal for optimization and digitalization of procedures. Their key product was the development of a functional and technical specification of the future eAgrar system. In 2020, another working group was established with the goal of implementing the adopted specification, i.e. developing the system.

REGULATIONS

- Law on Agriculture and Rural Development (Official Gazette of RS, No. 41/2009, ...,101/2016)
- Regulations on incentives in agriculture

13. PROBLEMS IN JURISDICTION OF MULTIPLE INSTITUTIONS

MINISTRY OF FINANCE AND OFFICE FOR IT AND EGOVERNMENT

13.4 ENABLE ISSUANCE OF A UNIFIED CERTIFICATE OF PAID TAXES

PROBLEM DESCRIPTION

In 2019, the Tax Administration enabled the issuance of tax certificates in electronic form, thus generating major savings for businesses (the costs of issuing tax certificates amounted to 135 million RSD a year based on the figures from 2013, or even higher in the later years).

For the need of providing proof of settled liabilities, citizens and businesses still need to file applications and receive tax certificates in paper form, issued by local tax administrations. Also, citizens and businesses still pay an administrative fee for the issuance of these documents, bearing in mind that this fee has not been abolished in the Law on Republic Administrative Fees.

Starting from January 2019, a Unified information system of local tax administration (LTA) has been established, enabling electronic submission of tax returns for property taxes and electronic insight into the account status. Such system has a strong potential for reducing the costs borne by businesses, but also reducing the burden to local government employees, often indicating a lack of capacities as a standing problem.

PROPOSED SOLUTION

We propose that the information on paid taxes and contributions on the national and local level should be merged, enabling issuance of a unified certificate on paid taxes and contributions.

Until a unified certificate can be implemented, we propose that local tax administrations should issue and send certificates of paid public revenues to citizens and businesses electronically, via the Unified information system of local tax administration.

Furthermore, we appeal to the local governments to make their data available via the Government Service Bus, which would enable state institutions to access the needed data and verify the facts needed in an administrative procedure, which would reduce the need for issuing tax certificates and consequently ease the burden to local government capacities.

Additionally, in case of automatization of the process of issuing certificates via the LTA portal, the fees prescribed by the Law on Republic Administrative Fees or local decisions should also be abolished.

REGULATIONS

- *Law on Tax Procedure and Tax Administration (Official Gazette of RS, No. 80/02, ..., 144/2020)*
- *Decisions on local administrative fees*

13. PROBLEMS IN JURISDICTION OF MULTIPLE INSTITUTIONS

MINISTRY OF AGRICULTURE, FORESTRY AND WATER MANAGEMENT AND MINISTRY OF ENVIRONMENT PROTECTION

13.16 IMPROVE THE SYSTEM OF WASTEWATER TREATMENT AND CONTROL

PROBLEM DESCRIPTION

The Decree on the limit values of pollutant emissions into the water and deadlines for reaching these values stipulates that a legal entity or an entrepreneur that have a wastewater treatment facility and/or discharges their wastewater into a recipient or a public sewerage network, need to align their emissions with the limit values of pollutant emissions into the water prescribed by this Decree, by 31 December 2025 the latest.

Furthermore, a legal entity or an entrepreneur that have a wastewater treatment facility and/or discharges their wastewater into a recipient or a public sewerage network, is obliged to provide an Action plan and a Report on Action plan implementation to the ministries in charge of environment protection and water management, every two years starting from the Action plan adoption.

The problem with regulations is that there are no clear guidelines for procedures that could be used when making a decision on investments into wastewater facilities, and the low capacities in planning and implementing the construction of a facility.

The existing wastewater system does not meet the needs, both in terms of capacities and regarding the technical equipment and the required standards. The number of inspectors on both the national and the local level is insufficient to perform regular control of wastewater. The inspectors rely on the local registry of pollution sources (which is a good concept, but inadequately implemented in practice). Additionally, the inspectors lack the capacities to deal with advisory work, there is overlapping jurisdiction of the communal inspection and environment protection inspection, as well as the water management inspection.

PROPOSED SOLUTION

The Action plan for reaching the limit values of pollutant emissions into the water should be made feasible in the following manner:

- Amend the regulations so as to create the conditions enabling Action plans to act as “practical guides” for the construction of missing wastewater treatment facilities.
- Ensure the verification of plans by line authorities and determine the form that would reflect a real roadmap for reaching the desired standard in the wastewater management system.

Prepare guides through procedures for adequate planning and construction of wastewater facilities with the aim of achieving the liabilities designated in the Decree by 31 December 2025 and ensure more active, advisory role (particularly for small and medium enterprises) as well as incentives. Capacity building of inspection services should be ensured by:

- Providing training for inspectors defined in line with the Professional training program;
- Ensuring adequate equipment for performing inspection oversight;
- Continuing coordination and cooperation among related inspections in the field of wastewater (coordination among water management and environment protection inspectors, sanitary inspectors etc). Accordingly, there is also a need to amend the inspection regulations so as to eliminate the current problem with overlapping jurisdiction.



NEW

REGULATIONS

- Decree on the limit values of pollutant emissions into the water and deadlines for reaching these values (Official Gazette of RS, No. 67/11, ..., 01/2016)

14. NATIONAL BANK OF SERBIA

14.1 ABOLISH EXCESSIVE BUREAUCRACY IN FOREIGN CURRENCY TRANSACTIONS

PROBLEM DESCRIPTION

The Law on Foreign Currency Transactions has been inherited from the previous economic system, and its primary goal is to regulate foreign currency operations and transactions related to foreign trade in Serbia. There have been 33 by-laws adopted stemming from this Law, which certainly leads to excessive bureaucracy, accompanied with their frequent changes which further aggravates the legal uncertainty. Additionally, the Law does not follow modern business tendencies and it does not enable free electronic trade and availability of various financial sources, while its restrictive provisions (anything not explicitly stated in the Law is considered forbidden) disable certain types of financial transactions, thus directly affecting investments in the country and foreign operations. The key shortcomings of this Law can be distributed into four segments:

- 1) Non-transparency of regulations due to frequent amendments of the 33 by-laws that are difficult to follow;
- 2) Obligation of prior reporting that in practice turned into prior foreign exchange documentary control performed by NBS, which is not publicly available;
- 3) Restrictive formulation of the Law provisions;
- 4) Administrative burden through foreign exchange documentary control that slows down business operations.

The restrictive provisions of the Law can also be illustrated with the following examples:

- Legal entities with state capital need to obtain a Government consent to make transfers of debts, receivables, collection or payment to another non-resident, rather than the non-resident debtor/claimant. This puts company into an unfavorable position compared to the competition when concluding and performing the same or similar operations with foreign partners and/or foreign lenders.
- Reporting on FDIs made by residents abroad requires businesses to submit reports to the NBS within 10 days upon the end of a quarter, which is a very short deadline for businesses that have a larger number of subsidiaries abroad that require complex consolidation. We also stress that there is simultaneously ex ante foreign exchange documentary control for certain transactions that are differently interpreted and “approved” by the NBS.
- Foreign currency lending among residents is not allowed for the repayment of previously used loans from abroad.

PROPOSED SOLUTION

We propose that the existing Law on Foreign Currency Transactions should be replaced by a new one, with simultaneous amendments to sectorial regulations, so that the provisions not referring the foreign currency transactions are shifted to relevant regulations. The new Law on Foreign Currency Transactions should be adopted so that:

- 1) The limitations are prescribed in the Law, while the manner of Law implementation is defined in relevant by-laws;
- 2) Prior foreign exchange documentary control is abolished, particularly the obligation of registering credit operations with foreign entities, and guarantee operations liberalized, which would ease the foreign payment transactions;
- 3) The use of payment codes as a pre-requisite for making a transaction is abolished;
- 4) It enables transfer and offsetting of receivables and claims in doing business with foreign entities;
- 5) It introduces ex-post reporting, which would liberalize the deposit operations abroad;
- 6) The obligation of ex-post reporting to NBS is abolished for entities with state capital from Article 7 Paragraph 4, Article 20 Paragraph 4 and Article 33 Paragraph 5 of the Law;
- 7) The deadline for submitting DI 2 report is extended to a minimum of 30 days (Decision and Instructions for implementing the Decision on the reporting obligation for foreign transactions);
- 8) Foreign currency lending among residents is allowed for the repayment of previously used loans from abroad.

REGULATIONS

- *Law on Foreign Currency Transactions (Official Gazette of RS, No. 62/2006I,..., 30/2018)*

ANNEX 1: RESOLVED GREY BOOK RECOMMENDATIONS IN 2020

1. MINISTRY OF FINANCE

1.27 ESTABLISH AN ELECTRONIC PUBLIC PROCUREMENT PROCEDURE

PROBLEM DESCRIPTION

Standing problem of insufficient transparency and corruption in public procurements, draining already lacking funds from the public sources, results in poor public works and undermines the confidence of citizens and businesses in the government.

The new Law on Public Procurements introduced an electronic public procurement procedure which includes all stages from planning to control of contract execution. Communication between the bidders and purchaser is performed electronically, via the central portal that will be used to perform all public procurements in Serbia, including local governments. However, the adopted regulation requires further guarantees of transparency, including the process of opening bids in electronic bidding. Article 72 Paragraph 5 of the Law on Public Procurement prescribes that, in case a purchaser uses electronic bidding, the opening of bids cannot be performed publicly and the purchaser is obliged to send an invitation to take part in electronic bidding separately to each individual bidder, and enclose the results of initial evaluation of their bids, while not revealing information about other bidders. Additionally, Paragraph 10 indicates that electronic bidding must not be initiated sooner than two days after the invitation for electronic bidding is sent. Paragraph 14 prescribes that a purchaser cannot reveal bidders' identity up until the completion of electronic bidding.

Such procedure is contrary to Article 140 of the Law on Public Procurement that prescribes that bid opening should be public.

PROPOSED SOLUTION

We propose that Law amendments should be made to accommodate the following guidelines:

- All procurements are published on the portal;
- Bidders send their bids electronically, and they need to be completed until the deadline for submitting bids (no one has access to bids until the deadline);
- Once the deadline expires, all bids are made public (with data significant for protection of competition being protected);
- The decision on bid selection is public;
- The information about decision committees is public;
- The agreements and annexes are public;
- The bid evaluations are public;
- Evaluation of the quality of service or product after the agreement is complete are included in the online system (references for the service provider);
- Internal control on the performance of agreed obligations is mandatory.

The Law on Public Procurement from 2019 stipulates the introduction of Public Procurement Portal that would be used for electronic procurement. The law provisions came into force on 1 July 2020 which made the recommendation almost entirely implemented. All communication between the purchaser and potential bidders, from the point of publishing the open call, through submission of bids, to contract conclusion, is performed via the public procurement portal (jnportal.ujn.gov.rs). Even though there are still some doubts regarding the efficiency and transparency of public procurement in Serbia (particularly regarding the criteria for evaluating the bids and monitoring the realization of agreements and agreed services), bearing in mind that we will mark the first year of new system implementation in July 2021, through PRO GROWTH project supported by the Government of Sweden, NALED will perform an analysis of implementation, and the following edition of Grey Book may include potential recommendations for improving the legal framework or the manner of implementation.



RESOLVED

REGULATIONS

- Law on Public Procurement (Official Gazette of RS No. 91/2019)

5. MINISTRY OF CONSTRUCTION, TRANSPORT AND INFRASTRUCTURE

5.1 REGULATE THE DELIVERY OF REAL ESTATE CADASTER DECISIONS VIA POSTAL OPERATOR

PROBLEM DESCRIPTION

Article 72 of the Law on General Administrative Procedure describes in detail the manner of performing delivery via public officers or post operators. In case a courier does not find the recipient at their address twice within a 24h period, they make a notice that includes among other things, the information on the location and time period when the recipient may pick up their parcel.

The Law on Registration in Real Estate and Utility Lines Cadaster, Article 39, prescribe that a decision the RGA issues ex officio is to be delivered by registered mail to the persons who submitted registration documents via public notary, in the form of printed copy of electronic document that needs to be verified in line with the law governing electronic operations, except in case the applicant requires electronic delivery.

The same article prescribes that, if delivery at physical address cannot be performed, the decision shall be delivered by being publicly announced on the RGA website and bulletin board of the line department, and the decision shall be considered delivered upon eight days since being published on the website and bulletin board. Bearing in mind that the Minister has not further regulated the manner of delivery in a designated Rulebook, the Law on General Administrative Procedure shall apply.

As a result, Republic Geodetic Authority, as well as he citizens and businesses, face the following problems:

- According to RGA records, more than 90% of decisions do not get delivered and are returned directly to RGA (so that they can publish them on their website and bulletin board) which further burdens the RGA capacities;
- Parties do not receive the decisions and gain an impression that the cadaster does not comply with the prescribed deadlines;
- Parties do not receive the decisions and hence do not pay the prescribed fees, since the decision indicates the account and reference number for the payment, so the budget revenues are at a loss.

PROPOSED SOLUTION

We propose that Article 39 of the Law on Registration in Real Estate and Utility Lines Cadaster should be amended so that:

- Delivery is governed in a manner where, in case of unsuccessful first attempt to deliver a document, the postal operator leaves a notice about the incoming mail, which can be collected at the post office within 15 days. Only upon the end of this period, the parcel would be sent back to the line authority (RGA);
- Delivery can also be made into the unique electronic Mailbox;
- Delivery can also be performed (at the moment the decision is made) upon being published on the RGA website, and being considered delivered upon 30 days since being published.

We also propose that Article 72 of the Law on General Administrative Procedure should be reviewed and governed in the above mentioned manner, which would unify the manner of delivery in all procedures.

Amendments to Article 39 of the Law on Registration in Real Estate and Utility Lines Cadaster from 2020 enabled decisions issued by RGA to be delivered in the form of electronic document into citizens' unique eMailboxes. If a person does not have an account on the eGovernment portal, the delivery is performed in the form of a printed copy of electronic document by registered mail via post office operator. Recommendations regarding the deadlines for returning parcels to the line authority in case the recipient is not reached in the first delivery are in line with the recommended, as well as the deadlines for publishing the decisions on the RGA website.



RESOLVED

REGULATIONS

- Law on Registration in Real Estate and Utility Lines Cadaster (Official Gazette of RS No. 41/2018,...,15/2020)
- Law on General Administrative Procedure (Official Gazette of RS No. 18/2016, 85/2018)

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