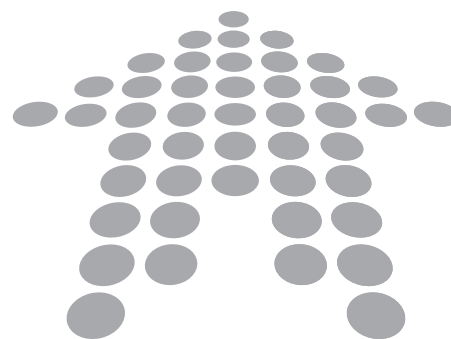




# GREY BOOK

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*Recommendations for removing administrative obstacles to doing business in Serbia 2023 - Summary*





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# FOREWORD

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**Dejan Đokić**  
President of the Executive Board  
NALED

Dear members and partners,

*I am very eager for the fact that together we can celebrate another great achievement and a great jubilee of the Grey Book. We are welcoming the 15th, known as crystal, anniversary of NALED's signature publication and another edition of our regulatory bible with 100 crystal clear recommendations for creating better business conditions.*

*This time again, the relevant institutions partially or fully adopted 12 proposals for improving the regulatory framework and administrative procedures, thus maintaining the years-long tempo of resolving suggestions, nominated by businesses while in between overcoming bureaucratic obstacles. Bearing in mind that last year's elections resulted in only four months of regulatory activity, we can say that this is an above-average result, although we cannot be satisfied with such a long break in the work of the competent institutions.*

*In 2022, large, systemic reforms such as eInvoices and eFiscalization, which NALED has been advocating for years, finally came to life in practice. Along with improved fiscalization, among the seven fully resolved recommendations from the previous edition of Grey Book, the ones that particularly stand out include the regulation of tax treatment for freelancers, optimization of registration procedure for used motor vehicles, and establishing a single electronic point for the registration of business entities in the APR registers. We also welcomed the abolishing of obligation to register VAT for foreign companies that store but do not sell goods in Serbia, the introduced definition of startups and business angels, and the establishment of a special organizational unit for the chemicals management. As partially resolved, we recognized the steps towards further reducing the tax burden on wages, introducing cashless payment for services provided by the Ministry of the Interior, digitizing health services, expanding the simplified registration procedure for seasonal and occasional workers, and introducing social procurement.*

*The Ministry of Finance was once again far ahead of all, with as many as four fully and three partially resolved recommendations, and in Grey Book 15, the number of nominations for this ministry fell to less than a quarter, which is a big shift compared to the former 40%. Bearing in mind, first of all, the global climate crisis, then the health, and energy crisis, the increasing expectations of businesses will be placed before the ministries responsible for energy, environment protection and healthcare. Digitization of procedures has become the driver of major changes like never before. It is important to use its advantages for major reforms that we are nominating for the 2023 agenda, primarily in the area of improving labor legislation, achieving greater efficiency of the health system, improving the transparency of non-tax levies and solving property issues on real estate – such as the acceleration of legalization, the abolition of fee for conversion of the right of use into ownership right and continuation of the cadaster reform, which should enable a more efficient registration procedure for old objects.*

*The fifteenth edition brings 18 new and 82 updated and improved existing recommendations. Another novelty is that we mark the anniversary by highlighting symbolic 15 priority recommendations, instead of 10 we have done so far. This time, we marked 22 recommendations with the "EU badge", aiming to put additional focus on reforms which will contribute to Serbia's faster path towards the European Union.*

*So far, more than 300 unique recommendations have found their way in the Grey Book, half of which have been fully or partially resolved. Each of them was a race of its kind. I congratulate the institutions and employees in the public administration for all the reforms they have managed to implement in the past 15 years, and I invite them to keep the pace and achieve even more. Finally, I want to thank all NALED members and colleagues from the Executive Board, as well as partners from the international community for never giving up on our common race for a better tomorrow in Serbia.*

## GREY BOOK 15: FIFTEEN PRIORITY RECOMMENDATIONS

N°	RECOMMENDATION	LINE INSTITUTION
1.1	Reduce the fiscal burden on the lowest wages	Ministry of Finance
1.4	Introduce unified collection of taxes and contributions for entrepreneurs	Ministry of Finance
1.7	Introduce green public procurement	Ministry of Finance
1.16	Establish a public electronic registry of non-tax duties	Ministry of Finance
1.17	Introduce cashless payment of fees and charges without submitting proof of payment	Ministry of Finance
3.2	Establish a unique electronic health record and a central record of material resources in healthcare	Ministry of Health
3.8	Introduce the eSickLeave system	Ministry of Health
4.3	Regulate the flexible and seasonal forms of work engagement	Ministry of Labor, Employment, Veteran and Social Affairs
4.7	Enable electronic storage and delivery of labor relations documents	Ministry of Labor, Employment, Veteran and Social Affairs
5.1	Speed up and digitize the legalization procedure	Ministry of Construction, Transport and Infrastructure
5.2	Abolish the fee for the conversion of the right to land use into ownership right	Ministry of Construction, Transport and Infrastructure
5.5	Establish a digital platform for developing and publishing the planning documents (ePlan)	Ministry of Construction, Transport and Infrastructure
7.1	Introduce the electronic registry of agricultural holdings and incentives (eAgrar)	Ministry of Agriculture, Forestry and Water Management
8.8	Introduce a deposit system for the return of beverage packaging	Ministry of Environment Protection
15.8	Improve the wastewater treatment and control system	Ministry of Agriculture, Forestry and Water Management, Ministry of Environmental Protection

# 15 YEARS OF THE GREY BOOK

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## **From idea to...**

„The state should...“, „There is a need to regulate the area...“, „It is necessary to pass a law...“, „It is important to consider the changes...“, „Institutions must improve...“ – are the most common formulations that were used in the previous two decades as suggestions by numerous experts and the general public for Serbia’s faster transition into a modern European economy. However, the full impact of such recommendations remained limited when they missed to clearly indicate what exactly needed to be changed in a regulation or a procedure and, most importantly, who was responsible for making the change happen.

Since its first edition in 2008, the Grey Book has established itself as a publication that solves these two challenges. All selected administrative obstacles are precisely described and the need for their elimination is argued in detail. A problem description is accompanied with a proposed solution, involving clearly stated articles of a law or by-law that need to be adopted or changed, or suggesting which regulation should regulate the area that has not been (sufficiently or adequately) regulated so far.

The Grey Book also solved other important challenges of the public-private dialogue in Serbia. The first refers to the matter of how to reach the institutions in the first place. For 15 years, our publication has been a platform enabling businesses, business and citizens' associations to nominate problems within the scope of their activities for the agenda of the Government of Serbia and relevant ministries. To date, it is one of the most successful publications that objectively measures the performance of institutions in improving the business environment, through the resolution of recommendations.

And so it became a meeting point for all segments of society, the private and civil sectors, but also the public sector, which accepted the Grey Book as an important support in the creation of public policies. In addition, it also initiated the creation of special editions such as the Local Grey Book (in Zrenjanin and the region of Niš), as well as the first sectoral publications - the Grey Book of Healthcare and the Grey Book of Innovation.

And in the end, it was the first to give face to the reforms. The Grey Book was accompanied with the establishment of Top Reformer award and special awards to individuals and teams in public administration, deserving of important achievements in improving business conditions. Along with pointing out problems and the constructive criticism, highlighting the positive examples, leaders and innovators is also something that Grey Book wanted to encourage in our society, pointing out the inspiring works that will also move others to something great and worthy of attention, for the benefit of the entire society.

## **The early days**

The first Grey Book was published in 2008. The creation of the premiere publication was preceded by a large campaign "Out of the Maze" launched by NALED in the middle of that year in cooperation with the U.S. Agency for International Development (USAID) and B92 television. Over the course of a month, citizens and businesses nominated as many as 245 proposals for cutting the red tape. The first edition involved 55 recommendations. Three citizens were awarded for initiatives that later helped the improvements in issuing construction permits, obtaining TIN and submitting tax returns.

Already after the release of the first Grey Book, the publication was recognized by the state itself because then-Ministry of Economy and Regional Development included part of the recommendations in what was then known as Comprehensive Reform of Regulations of the Government of Serbia, better known as the Guillotine of Regulations.

Due to its value and informativeness, the Grey Book was also recognized by the media, and so far more than 2,300 television and radio reports and print or web articles have been published about its recommendations. Apart from television B92, which was the media sponsor of the campaign for the first edition of Grey Book, a series of articles on recommendations were also published by Politika, NIN, Fonet and others.

## **Fifteen years of reforms**

During 15 years, citizens, business, members of NALED and the professional public nominated more than 1,000 proposals for simplifying or eliminating redundant bureaucracy, and 320 unique initiatives were found on the pages of Grey Book. Competent institutions accepted and implemented almost half (155), of which 82 procedures were resolved fully and 73 partially.

When we look at all editions of the Grey Book, the institutions managed to resolve an average of 12 recommendations per year. However, the pace of reforms was not uniform, but over the years there were alternating periods of very active adoption of recommendations and periods when the number of adopted Grey Book proposals was measured in single digits. In the last few editions, the average number has stabilized at around 12 recommendations per year.

Grey Book statistics show that the institutions were most agile in 2011 (Grey Book 4) when as many as 23 recommendations were resolved. More frequent reform initiatives were recorded in 2013 and 2018 (Grey Books 6 and 11), with 17 resolved proposals each. The institutions had the weakest performance in 2009 and 2015 (Grey Books 2 and 8), when only two and three recommendations were resolved.

The initiatives from Grey Book (and its subsidiary publications) have also found their place in numerous strategic documents of the Government of Serbia, such as the Strategy for Supporting the Development of Small and Medium Enterprises, the Program for Healthcare System Digitization, the eGovernment Development Program, the Program for Countering Shadow Economy, etc. The pace of introducing new recommendations into the Grey Book is influenced by the relevant authorities' interest in solving the administrative obstacles pointed out by citizens and businesses. The average number of new proposals in the previous editions was 19 per year.

#### OVERVIEW OF THE GREY BOOK RECOMMENDATIONS 2008-2022

THE GREY BOOK	RECOMENDATIONS NUMBER*	RESOLVED	PARTLY RESOLVED	NEW
1	55	0	0	55
2	75	2	0	20
3	75	5	2	-
4	80	14	9	12
5	76	6	8	22
6	100	7	10	29
7	100	11	3	15
8	100	3	0	15
9	100	6	3	22
10	100	8	4	20
11	100	8	9	31
12	100	2	11	27
13	100	3	9	13
14	100	7	5	21
15	100	/	/	18
Total	>1000	82	73	320

\*Considering that a certain part of the recommendations is repeated in several editions, the total number of individual recommendations is less than their simple sum by editions.

#### The most and less successful

The ministry in charge of finance was by far the most successful in addressing the recommendations in the previous 14 editions. Of the total of 155 implemented initiatives from the entire Grey Book, the Ministry of Finance implemented almost two-fifths (59), of which 28 fully and 31 partially.

Although the Ministry of Finance, due to its importance for the functioning of the economy, always has the longest list of recommendations to solve, this result is still the best, both in absolute number and as a percentage, compared to all other institutions. The second and third places were taken by the departments of labor and construction, with 14 and 13 resolved recommendations, respectively.

The bottom side of the table, with one or two resolved recommendations each, is occupied by energy, science, culture and local governments, but it should be borne in mind that very few initiatives have been addressed to them. Much more could have been done in the past 14 editions by the ministries responsible for agriculture, justice and the environment, which have only three resolved recommendations each, although in the last few editions of the Grey Book they had six to seven recommendations to resolve. Below is a table showing the ranking list of departments according to the share in the total number of resolved and partially resolved recommendations for all 14 editions.

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### **Key results**

*The strength and value of the Grey Book is also reflected in the changes it contributed to. From seemingly small administrative procedures to large, systemic reforms, the Grey Book was often the first place they were heard of and where the path to their implementation was traced. You can see an overview of all 155 recommendations that have been fully or partially resolved in the past 15 years in the Annex of the Grey Book, and here we will briefly refer to the most important ones.*

*Certain recommendations were resolved so long ago that we no longer even remember what they meant for the economy, but they are worth mentioning – payment of taxes and salary contributions to one account instead of 12, automatic verification of health insurance card, electronic registration in BRA and obtaining of TIN, electronic registration of workers through the CROSO portal, simplified procedure for exercising the right to compensation during pregnancy and maternity leave. Many unnecessary procedures and papers have been abolished, such as daily deposit of revenues, employment record books, six-month validity of records, M4 form, signage fee for entrepreneurs.*

*Digitization played a key role in the optimization of procedures in accordance with the recommendations of the Grey Book. Thus, a mobile application was introduced for the employment of seasonal workers in agriculture. Electronic construction permits made a real revolution in the construction industry, and this procedure positioned Serbia among the 10 most efficient countries in the world. The unique eCounter for registering rights in the cadaster was established, so all new requests are resolved within five days. The eArchiving was introduced and prerequisites for electronic business were created. Businesses submit all tax returns electronically, the procedure has been digitized and the fee for issuing tax certificates has been abolished. An online flat-rate tax calculator has been developed. The procedure for registering used motor vehicles for citizens has been optimized and digitized. The ePrescription was introduced in healthcare. Businesses and citizens are enabled to make cashless payments for a large number of electronic services, and all public procurement procedures are carried out electronically.*

*In recent years, major and long-awaited developments have been made in the finance department. A new system was introduced and the scope of fiscalization was expanded, and in parallel, a centralized system of electronic invoices (SEF) was established in the private and public sector. The tax treatment of freelancers working for a foreign employer has been regulated. In a period of five years, the tax burden on wages was also reduced from 63 to 61%.*

### **On hold for too long**

*In addition to the reforms implemented, there are several initiatives that have been on the list for too long. One of these is a recommendation for the establishment of a public electronic register of non-tax levies that would introduce transparency and order into a forest of fees and charges that national, provincial and local authorities charge to the economy and citizens. In addition, for many years, the businesses have emphasized the need to shorten the deadline for refunding extra paid value added tax (VAT), introduction of cashless payment of all fees and charges without the obligation to prove payment for all procedures, introduction of unified collection of tax obligations for entrepreneurs, acceleration and digitization of the legalization procedure and abolition of the fee for conversion of the right of use into ownership right.*

*The Grey Book was and will remain a traffic light clearly highlighting who and to what extent is ready to work on removing administrative obstacles. The same as before, NALED will be ready to support competent institutions in designing, enacting, implementing and monitoring the implementation of reforms, on the way to efficient public administration and a business environment tailored to citizens and businesses.*



## OVERVIEW OF IMPLEMENTED REFORMS IN 2022

Out of 100 recommendations of the Grey Book 14, a total of 12 were resolved in the previous year, of which seven fully and five partially. In 2022, the systemic reforms that were recognized back in the previous, 13th edition of the Grey Book, namely eInvoices and eFiscalization, were implemented. Due to the presidential and parliamentary elections at the beginning of April and the longer process of forming a new government (until October), the regulatory activities in 2022 took place only during four months (not continuously), which did not leave enough time for the initiation of new comprehensive reforms. Therefore, this year we expect more significant steps by competent institutions in the direction of preparing and adopting more systemic solutions. The Ministry of Finance was once again the most agile in listening to the needs of businesses with four fully and three partially resolved proposals. In addition to improving the fiscalization system and abolishing mandatory VAT registration for foreign companies that store but do not sell their products in Serbia, this Ministry, through changes in tax regulations, regulated the issue of working for a foreign employer (freelancers and permanent employees of foreign legal entities). Also, the Ministry of Finance played a key role in optimizing the procedure for registering used motor vehicles to the delight of many citizens. When it comes to partially resolved recommendations, the Ministry of Finance continued to reduce the fiscal burden on salaries and took further steps towards encouraging implementation of social public procurement and introducing cashless payment of fees and charges without proof of payment.

After four years, the Ministry of Environmental Protection adopted the Grey Book's recommendation for establishing a special organizational unit responsible for the management of chemicals. The Ministry of Science, Technological Development and Innovation, by passing an act specifying the conditions for obtaining the status of an innovative organization, defined more precisely the terms of startups and business angels. The Ministry of Economy, i.e. the Business Registers Agency, contributed to complete resolution of Grey Book recommendations, which enabled business entities to electronically report the real owners when registering their business, and introduced a unified procedure for registering business entities and registering employees for mandatory social insurance (CROSO).

The deserving institutions for partially resolved recommendations were the Ministry of Health in cooperation with the Institute of Public Health, that launched the initiative for creating electronic medical record and the preparing professional instructions for its use, as well as the Ministry of Labor, Employment, Veterans and Social Affairs, which during the last year continued regulatory activities, that is, prepared a draft law on the expansion of simplified registration of seasonal workers to other activities, besides agriculture.

### GREY BOOK 14: STATUS OF IMPLEMENTING RECOMMENDATIONS

N°	LINE INSTITUTION*	NUMBER OF RECOMMENDATIONS	RESOLVED	PARTIALLY RESOLVED	NOT RESOLVED
1	Ministry of Finance	27	4	3	20
2	Ministry of Finance	8	1	0	7
3	Ministry of Health	8	0	1	7
4	Ministry of Labor, Employment, Veterans and Social Affairs	5	0	1	4
5	Ministry of Construction, Transport and Infrastructure	6	0	0	6
6	Ministry of Justice	6	0	0	6
7	Ministry of Agriculture, Forestry and Water Management	6	0	0	6
8	Ministry of Environmental Protection	7	1	0	6
9	Ministry of Interior	1	0	0	1
10	Ministry of Culture	1	0	0	1
11	Ministry of Trade, Tourism and Telecommunications	3	0	0	3
12	Ministry of Public Administration and Local Self-Government	1	0	0	1
13	Ministry of Science, Technological Development and Innovation	2	1	0	1
14	Several ministries	14	0	0	14
15	National Bank of Serbia	3	0	0	3
16	Local government units	2	0	0	2
	<b>TOTAL</b>	<b>100</b>	<b>7</b>	<b>5</b>	<b>88</b>

\*With the formation of the new Government, in the fourth quarter of 2022, certain ministries were merged and separated and their names were changed. The table shows the names of the ministries according to the previous Law on Ministries.

# GREY BOOK RECOMMENDATIONS: SCIENTIFIC COUNCIL REVIEW



**Dušan Vujović**  
President of  
Science Council  
NALED



**Goran Pitić**  
Member of  
Science Council  
NALED



**Branko Radulović**  
Member of  
Science Council  
NALED

The Grey Book was created based on the practical experiences of businesses and citizens in dealing with administrative procedures at the national and local level. In the coming period, this will remain a key source of information in the process of drafting recommendations, supported by an analysis of the regulatory framework for a specific recommendation and the potential impact its change would have on the operations of a part or the entire economy. The feasibility of Grey Book recommendations is influenced by their character, potential effects and the extent of engagement they impose on institutions. As in previous years, all proposals can be divided into four categories:

1. Recommendations ready for immediate implementation because they are sufficiently precise, empirically and theoretically based, with well-estimated effects, and the proposed solutions have the support of all key participants.
2. Recommendations that have different effects on groups of business entities, which is why they require additional consideration of the effects and reaching a consensus of different interests.
3. Recommendations whose implementation must be preceded by a more detailed elaboration of the solution, training and capacity building of the public administration and businesses that will be affected.
4. Systemic recommendations that require additional consideration and analysis of all effects, including the reactions of business entities to the change in measures.

Grey Book 15 contains 100 recommendations for simplification and improvement of administrative procedures. These include 18 proposals that appeared for the first time in this publication. Recommendations that remained unresolved from the previous edition were analyzed again and modified if necessary. Priority was given to solving the most significant administrative obstacles, so recommendations that are not a priority for the economy at the moment were left out, while in certain areas several recommendations were combined into one.

Changes in content were also influenced by the changed macroeconomic and political circumstances in the country and the world, which in the past two years were particularly unfavorable amidst the rise in energy prices, inflation, interruptions in supply chains and the effects of war conflicts in Ukraine, and impose the need to quickly resolve challenges in numerous areas, and adapt to new circumstances. That is why the Grey Book 15 recommendations focused on the following topics:

- Reduction of shadow economy (reduction of tax burden on wages, especially the lowest ones, further harmonization of eFiscalization with eInvoices);
- Improvements to the public procurement system (introduction of green and social public procurement);
- Improvements in labor legislation (regulation of trial work, flexible and seasonal forms of employment);
- Improvements in the investment environment (completion of the legalization procedure, abolition of the fee for the conversion of the right of use into ownership right, completion of the real estate cadaster reform);
- Application of the circular economy concept (establishment of the so-called "Green Fund", introduction of a "deposit" system for the return of beverage packaging);
- Improvements of the healthcare system (eSickLeave, eHealthRecord, integration of private and state health system);
- Modernization of state administration work and increased transparency (registry of non-tax levies, cashless payment of court and administrative fees and charges, eAgrar, registry of opinions).

Below is a tabular overview of Grey Book 15 recommendations by competent institutions.

#### GREY BOOK 15: OVERVIEW OF RECOMMENDATIONS

N°	COMPETENT INSTITUTION	NUMBER OF RECOMMENDATIONS	NEW	OLD	EU BADGE
1	Ministry of Finance	23	3	20	6
2	Ministry of Finance	6	1	5	0
3	Ministry of Finance	8	1	7	1
4	Ministry of Labor, Employment, Veterans and Social Affairs	7	4	3	1
5	Ministry of Construction, Transport and Infrastructure	8	2	6	0
6	Ministry of Justice	6	0	6	1
7	Ministry of Agriculture, Forestry and Water Management	6	0	6	1
8	Ministry of Environmental Protection	8	2	6	4
9	Ministry of Interior	1	0	1	0
10	Ministry of Culture	1	0	1	0
11	Ministry of Information and Telecommunications	2	0	2	1
11	Ministry of Internal and Foreign Trade	1	0	1	0
12	Ministry of Public Administration and Local Government	1	0	1	0
13	Ministry of Science, Technological Development and Innovation	1	0	1	1
14	Several ministries	18	5	13	6
15	National Bank of Serbia	1	0	1	0
16	Local government units	2	0	2	0
	<b>TOTAL</b>	<b>100</b>	<b>18</b>	<b>82</b>	<b>22</b>

The process of drafting recommendations is also influenced by Serbia's European Union integration process and the guidelines the European Union gives our country on that path. Serbia's Progress Report published in October 2022 assesses that Serbia has made some progress, and that it is moderately prepared in the field of economic criteria for accession.

Among numerous challenges, the particularly highlighted is the need of further reducing and simplifying the number of administrative procedures, especially for small and medium-sized enterprises, solving the problem of parafiscal levies, continuing the digitization process, passing the new Law on Foreign Exchange Operations, continuing the fight against the shadow economy, passing the new Labor Law, reducing the tax burden on workers with the lowest incomes, the necessity of a green transition, starting the process of decarbonization of industry and increasing investment in renewable energy sources. The Grey Book offers concrete solutions that directly or indirectly target the challenges mentioned in the European Commission's report. Below is an overview of Grey Book recommendations that are marked with the "EU badge" as being particularly significant for Serbia's EU integration process.

## GREY BOOK 15: RECOMMENDATIONS WITH THE EU BADGE

N°	NAME OF RECOMMENDATION	COMPETENT INSTITUTION
1.1	Reduce the fiscal burden of the lowest wages	Ministry of Finance
1.4	Introduce unified collection of taxes and contributions for entrepreneurs	Ministry of Finance
1.7	Introduce green public procurement	Ministry of Finance
1.8	Encourage social public procurement	Ministry of Finance
1.15	Organize the expropriation procedure in accordance with EU practice	Ministry of Finance
1.16	Establish a public electronic registry of non-tax duties	Ministry of Finance
3.5	Improve the procedure for amendments (variations) to drug licenses	Ministry of Finance
4.3	Regulate flexible and seasonal forms of employment	Ministry of Labor, Employment, Veterans and Social Affairs
6.5	Prescribe the regime in which the write-off of debts to natural persons occurs	Ministry of Justice
7.1	Introduce an electronic registry of agricultural holdings and incentives (eAgrar)	Ministry of Agriculture, Forestry and Water Management
8.1	Establish a functional green fund	Ministry of Environmental Protection
8.5	Regulate the way of dealing with biodegradable kitchen waste	Ministry of Environmental Protection
8.6	Abolish permits for import, export and transit of non-hazardous waste	Ministry of Environmental Protection
8.8	Introduce a deposit system for the return of beverage packaging	Ministry of Environmental Protection
11.2	Enable the use of qualified electronic certificates issued abroad	Ministry of Information and Telecommunications
14.1	Establish a portal for cooperation between science and business	Ministry of Science, Technological Development and Innovation
15.3	Enable donations of food that exceeded the "best before" date and abolish VAT on food donations	Ministry of Agriculture, Forestry and Water Management Ministry of Health and Ministry of Finance
15.7	Simplify the import procedure and registration of dietary products in the database of the Ministry of Health	Ministry of Health and Ministry of Agriculture, Forestry and Water Management
15.8	Improve the wastewater treatment and control system	Ministry of Agriculture, Forestry and Water Management and Ministry of Environmental Protection
15.9	Harmonize the declaration of the country of origin of food with EU legislation	Ministry of Agriculture, Forestry and Water Management and Ministry of Internal and Foreign Trade
15.11	Change the system for assessing the impact of mobile telephony base stations on the environment	Ministry of Environmental Protection, Ministry of Information and Telecommunications and Local Government Authorities
15.13	Improve and liberalize regulations on foreign exchange operations	The National Bank of Serbia and the Ministry of Finance

# 1. MINISTRY OF FINANCE

## 1.1 REDUCE THE FISCAL BURDEN ON THE LOWEST WAGES

### PROBLEM DESCRIPTION

The fiscal burden on wages (tax and social insurance contributions), particularly the ones under-average and near minimal, are relatively high, thus leading to increased shadow economy and undermined competitiveness of employers that register employees and pay the taxes and contributions for the full amount of agreed salary. There is also a trend among employers of providing compensation to the managing personnel less in the form of salary, and in major part through dividends (share of profits), which is taxed at a 15% rate in line with the Law on Personal Income Tax (Article 64).

Furthermore, the existence of minimum basis for calculating the contributions, part-time work is additionally financially de-stimulated.

Article 44 of the Law on Contributions for Mandatory Social Insurance prescribes the rates for calculating and paying the salary contributions, borne by the employer and the employee (in 2022, 25% for mandatory pension and invalidity insurance, 10.3% for mandatory health insurance and 0.75% for unemployment insurance). Further, the Article 16 of the Law on Personal Income Tax prescribes that the salary is taxed at a 10% rate, and Article 15a that the non-taxable amount of salary in 2022 is 19,300 RSD. The basis for calculation is the “gross 1” salary that includes taxes and contributions borne by the employee (which is the definition of salary under Article 105, paragraph 2 of the Labor Law). Such manner of taxation creates a higher burden to salaries that are lower than the average. Starting from 2018, the tax burden on labor has been gradually lowered, through increases to the non-taxable amount and reduction of certain contribution rates. Over the previous five years, the burden to average net salary with taxes and contributions was reduced by 1.7 percentage points. Namely, for each 100 RSD of average net salary, the employers allocated 63.1 RSD for this purpose in 2018, compared to 61.4 RSD in 2022. Over the same period, the burden on net minimum wages was reduced by 1.4 percentage points, i.e. for each 100 RSD of minimum wage, the employers paid 58 RSD in 2018, compared to 56.6 RSD in 2022.

Even though the introduction and later, increase of non-taxable part of salary introduced progressivity in the existing system, it is still quite low. Namely, the progressivity, measured by the difference in tax and contributions burden to the average and minimum net salary in Serbia is 5 percentage points, while this indicator is nearly twice as high (9.7 percentage points) in comparable Central and Eastern Europe countries. Observing higher levels of salary (up to five average salaries), the progressivity in Central and Eastern Europe countries is even more pronounced (four times higher than in Serbia). Additionally, among EU countries, there has been a notable growth trend for taxation progressivity, while Serbia has recorded a mild decline.

### PROPOSED SOLUTION

With the aim of reducing shadow economy and stimulating employers to (legally) hire workers, on one hand, and fairer tax treatment of the lowest salaries on the other, we propose that the tax burden to the lowest salaries be reduced to a greater extent than in the previous years, while establishing higher progressivity of taxation. One of the manners could be a more significant increase of the non-taxable part of salary, up to the level of minimum salary, combined with reduced rates of certain contributions and/or application of non-taxable amount (reduced basis) for the health insurance contributions as well. In parallel, another direction to be considered is the reform of the existing system of mandatory social insurance, which should take into account the possibility of financing the cost of healthcare from the budget revenues. The transition from Bismarck's (from contributions) to Beveridge's model means that healthcare would be financed from general taxes, which would ensure healthcare for all citizens, regardless of their employment status, while at the same time reducing the administrative cost, due to the abolition of obligation to prove the insured status, verifying health insurance cards etc.

The adoption of proposed changes would certainly lead to a significant ease of burden to businesses – particularly in terms of lowest salaries, improving the business environment and unlocking the funds for new employments and/or investments.

In order to determine an optimal model of progressive taxation of salaries in Serbia, it is necessary to perform an impact analysis of applicable comparable legal solutions on the state's general budget – the budget of the Republic, the mandatory social insurance organization, the local and provincial level.

*Starting from 1 January 2023, the Law on Contributions for Mandatory Social Insurance from 2022 entered into application, reducing the contributions for mandatory pension and invalidity insurance from 25% to 24%, i.e. from 11% to 10% borne by the employer. Additionally, the amendments to the Law on Citizens' Income Tax increased the non-taxable monthly amount of salary from 19,300 to 21,172 RSD, which will lead to effective ease of burden on the gross and net salaries. At the same time, the minimum salary was increased from 35,012 RSD to 40,020 RSD (14.3%) starting 1 January, thus reducing the burden to net minimum salary by 1.2 percentage points, and by 0.5 percentage points to gross minimum salary compared to 2022. However, the reduction was relatively lower than the businesses' expectations. Additionally, the same as in the previous years, we saw a missed opportunity to more significantly reduce the tax burden on labor, particularly the salaries around the minimum, thus having the recommendation designated as partially resolved.*

*In its Progress Report (October 2022), the European Commission highlights that the tax burden to salaries is significantly higher for the workers receiving the amount near minimum salaries, which poses an obstacle to formal employment. Additionally, the Economic Reform Program implementation report for the period 2022-2024 (April 2022) stresses that the tax wedge/burden on salaries was reduced, but only in the nominal amount bearing in mind the high inflation rate. The recommendation is to further increase the non-taxable part of salary, to a higher extent than the inflation rate, for the purpose of maintain the real values and avoiding potential transition of a part of businesses to the shadow zone.*



### REGULATIONS

- Law on Contributions for Mandatory Social Insurance (Official Gazette of RS No. 84/2004, 61/2005, ..., 86/2019, 153/2020, ... 118/2021, 10/2022 harmonized RSD amounts and 138/2022)
- Law on Personal Income Tax (Official Gazette of RS No. 24/2001, 80/2002, ..., 86/2019, 153/2020, ... 118/2021, 132/2021, 10/2022 harmonized RSD amounts and 138/2022)

# 1. MINISTRY OF FINANCE

## 1.4 INTRODUCE UNIFIED COLLECTION OF TAXES AND CONTRIBUTIONS FOR ENTREPRENEURS

### PROBLEM DESCRIPTION

The adoption of the new Regulation on detailed conditions, criteria and elements for flat-rate taxation of self-employed income taxpayers in 2019 introduced an objective formula for the calculation of tax liabilities of flat-rate taxpayers and enabled automated issuing of decisions, which significantly increased the transparency of the procedure itself and allowed entrepreneurs to better plan their business.

Article 110 of the Law on Personal Income Tax stipulates that a flat-rate taxpayer must settle their obligation within 15 days after the end of each month, and Article 60 of the Law on Contributions for Mandatory Social Insurance stipulates that contributions must be paid within the time limit established by the law governing the personal income tax.

However, unlike earnings for which taxes and contributions are paid through unified payment on a single payment slip, the flat-rate liabilities are still paid through four different payment slips to four different accounts (although under the same code and the same reference number) which is an unnecessary administrative burden for entrepreneurs, but also a financial one - due to the collection of bank commissions for each of the four payments. This problem also occurs with entrepreneurs who are in the self-taxation regime. An additional problem occurs when there is a payment error, due to an error in choosing one of the four payment accounts. It results in a large number of entrepreneurs submitting a request for retransfer of funds, which leads to an additional administrative burden, and at the same time, the Tax Administration itself is burdened with solving tens of thousands of requests for retransfers annually.

Bearing in mind that, in 2022, there were around 124,000 active flat-rate entrepreneurs, and more than 67,000 entrepreneurs in the self-taxation regime, as well as that timely payment implies that every taxpayer must make a monthly payment (by the 15th of a month) to four different accounts, it is estimated that more than 9 million payments are made annually on this basis.

### PROPOSED SOLUTION

Following the reform of the calculating method for flat-rate obligation and automated decision-making on the amount of flat-rate obligation, we propose enabling flat-rate entrepreneurs to pay their tax, pension, health and unemployment insurance obligations to a single payment account, from which these funds will be automatically posted to adequate payment accounts.

Additionally, this reform should be extended to entrepreneurs in the self-taxation system that are obliged to manage bookkeeping, while entrepreneurs in the self-employment regime already pay their obligations to a single account.

The proposed solution would only require an amendment 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. This Rulebook should stipulate a separate payment account for the combined payment of income taxes and contributions from self-employed flat-rate entrepreneurs and entrepreneurs who pay taxes and contributions on taxable profit. The procedures for posting obligations and payments, as well as for the distribution of payments, should be prescribed by a protocol between the Tax Administration and the Treasury Administration.

The implementation of this proposal would entail the introduction of a single public revenue payment account for the payment of taxes and contributions paid by entrepreneurs, while the existing calculations for social insurance (PPDG-1S and PPDG-1R) would remain unchanged. Also, it would be necessary to change the manner of processing tax returns and decisions, as well as the posting of the application/decision, and the processing and posting of payment statements.

By implementing this recommendation, the number of annual payments would be reduced by an impressive 6.9 million transactions, taxpayers would achieve significant savings based on the payment of commission for banking services, and problems with payments to the wrong accounts and the need to transfer those funds from one account to another would be prevented.

*Within Chapter 16 - Taxation, in its annual report (October 2022), the European Commission recommends the continuation of the Tax Administration Transformation Program with the aim of rationalizing activities while ensuring sufficient human and IT resources for this purpose, improving tax collection and fighting the shadow economy.*



### REGULATIONS

- Rulebook on the conditions and manner of keeping accounts for the payment of public revenues and the allocation of funds from those accounts (Official Gazette of the Republic of Serbia No. 16/2016-155,..., 10/2022)

# 1. MINISTRY OF FINANCE

## 1.7 INTRODUCE GREEN PUBLIC PROCUREMENT

### PROBLEM DESCRIPTION

The Law on Public Procurement does not oblige the procuring entity to apply the so-called green criteria (within the technical specification, criteria for the selection of business entity or criteria for the award of the contract) when organizing procurements for specific goods, services or works, but such a criterion has remained a discretionary right of the contracting authority.

Namely, Article 99, Paragraph 1, Item 1) of the Law stipulates that technical specifications within the procurement documents may include environmental characteristics, provided that the parameters are sufficiently precise to allow bidders to determine the subject of the contract and the contracting authorities to award the contract. In addition, Article 115 of the Law stipulates that one of the criteria for awarding a contract may be the fulfilment of conditions for performing professional activity, which includes the condition of the bidder being entered in the appropriate register, but does not stipulate any instance when there is an obligation to determine this criterion in order to encourage environmental procurement. On the other hand, although the general criteria for contract awarding, stipulated in Article 132, Paragraph 1, Item 3) of the Law, mentions that the contracting authority may determine the environmental criteria, i.e. characteristics for bid evaluation, this criterion is also set as potential rather than binding.

This legal solution obviously does not affect the raising of environmental standards through public procurement, which is also affirmed by the data from Public Procurement Office for 2021 indicating that environmental criteria were applied in only 650 public procurement procedures, which is a negligible number compared to a total of 182,998 concluded contracts in 2021.

The failure to include a legal provision governing green public procurement stands as a missed opportunity for public procurement, as a mechanism for procurement of goods and services managed by the state, to be conducted in a manner that would ensure positive impact on environment protection and stimulate the circular economy.

Additionally, the Public Procurement web portal currently does not include an option of searching public procurement that apply green criteria.

### PROPOSED SOLUTION

We propose to add a new article, Article 132a to the amendments to the Law on Public Procurement, which would read:

"Green public procurement is a public procurement of goods, services or works that applies environmental criteria, which are included in technical specifications provided in the procurement documents and/or criteria for qualitative selection of business entities and/or criteria for contract awarding, that aim to reduce the negative environmental impact, as well as to stimulate the circular economy. The Government shall, by means of a bylaw, determine the list of subjects of procurement (specific goods, services, and works) for which the contracting authorities are obliged to determine the environmental criteria for contract awarding."

The transitional and final provisions of the Law on Amendments to the Law on Public Procurement should prescribe the deadline within which the Government will adopt a bylaw, so we suggest that this article reads:

"The bylaw referred to in Article 132a Paragraph 2 of this Law shall be adopted by the Government within 12 months from the day this Law enters into force."

Additionally, we propose that the Public Procurement web portal enables search of public procurement procedures and contract award decisions that applied the environmental (green) criteria.

*Within Chapter 5 – Public procurement, the European Commission report highlights that Serbia is still moderately prepared in this field, even though there has been some progress made. It is noted that further harmonization with the EU directives is required, specifically Directive 2014/24/EU that emphasizes the use of environment protection criteria.*



### REGULATIONS

· Law on Public Procurements (Official Gazette of the Republic of Serbia no. 91/2019)

# 1. MINISTRY OF FINANCE

## 1.16 ESTABLISH A PUBLIC ELECTRONIC REGISTRY OF NON-TAX DUTIES

### PROBLEM DESCRIPTION

In the previous decade, the main problem highlighted by the business sector was the lack of transparency and predictability of non-tax duties, primarily the fees charged by republic, provincial and local authorities for provided services, procedures or actions, as well as the charges collected by public companies. Fees and charges are introduced by more than 200 laws and over 400 bylaws at the national, provincial and local levels. In addition, the existing system is characterized by unequal amounts charged for the same service, procedure or action, as well as a number of duties that actually represent hidden taxation (parafiscal duties).

A significant step in the regulation of non-tax revenues was made in 2018, with the drafting and adoption of the Law on Fees for the Use of Public Goods. Its implementation has contributed to greater control and transparency of one part of non-tax revenues. However, this solved only a part of the problem, given that the area related to fees and other parafiscal duties remained unregulated, especially given the fact that in the structure of non-tax revenues, the fees represent a dominant share with 75%. In practice, the application of a large number of diverse and significantly non-harmonized regulations, primarily in terms of the amount of duties, negatively affects the business environment, i.e. reduces predictability and transparency of the cost of doing business, especially for businesses operating in multiple locations.

In addition, the methodology and manner of determining the costs of providing public services (Rulebook from 2013) does not provide sufficiently precise parameters for determining the price of a particular public service, or the amount of the fee. As a consequence, the amount of the fee, in most cases, is not adequately measured, or it is determined as a % of a variable basis. In that sense, it is difficult to control the amount of fees, especially since the Law on Budget System prescribes that the amount of fee must be appropriate to the costs of providing public service and must be determined in absolute amount, and not as a percentage of a variable base. This significantly diminished the transparency of the existing system governing fees.

### PROPOSED SOLUTION

The Law on Budget System should be amended so as to stipulate the establishment of a public, electronic registry of non-tax revenues, which would include non-tax revenues of all levels of government, while adhering to the basic principle that no non-tax duty, although stipulated by law or bylaw, can be collected from businesses or citizens if it is not entered in the registry. While bearing in mind that this is a complex reform, it is possible to implement it in phases, firstly by introducing a registry of fees.

The law should regulate: the scope of non-tax duties that are entered in the registry; the manner or procedure of entry in the registry; basic elements of duties that should be contained in the registry, responsibility for entering initial data on duties and subsequent updates, the Ministry of Finance as the control body, etc. In addition, it is necessary to regulate and improve the existing methodology for determining the amount of fees in order to harmonize them, especially between local government units.

Additionally, the existing non-tax revenues that represent taxes by their nature (parafiscal duties) should be renamed and integrated into the valid tax system. Systemic regulation of this area of public finance would significantly facilitate the business conditions of business entities, improve the system transparency and the planning process, given that all relevant information on non-tax revenues, primarily fees, would be available in one place, within the online public registry of non-tax revenues.

*During 2020 and 2021, the USAID-supported Non-Tax Revenue Reform Project, implemented by Partner Solutions, KPMG, NALED and the Mihajlo Pupin Institute, listed over 2,000 levies collected by users of public funds at the national, provincial and local levels. The analysis of current state of play determined the real nature of the listed levies and gave suggestions for reclassifying, merging or abolishing certain fees, as well as the manner of their classification in the registry. A software solution for the electronic registry has been prepared, as well as the proposals for governing the legal framework for its implementation. Draft Law on the amendments to the Law on the Budget System has been prepared, as well as the starting ground for improving the existing methodology for calculating the amount of fees. Additionally, a unified model of the Decision on local administrative fees has been prepared and verified by several LGs, with the expectation that its implementation in practice will, on the one hand, increase the transparency of local duties for businesses and citizens, and on the other, reduce the administrative procedures and harmonize the practice of all 145 LGs in terms of the type of fees they are collecting, their name and amount. All pre-requisites have been created to finally implement this, more than a decade old, recommendation.*

*In its report for 2021 (from October 2022), the European Commission recognizes the problem of the existence of numerous parafiscal levies that remain high and non-transparent, thus reducing the predictability and sustainability of the Serbian tax system, as a prerequisite for faster economic development.*



### REGULATIONS

- Rulebook on the Methodology and Manner of Determining the Costs of Providing Public Services (Official Gazette of RS No. 14/2013, 99, 99/2013)
- Law on Fees for the Use of Public Goods (Official Gazette of RS 95/2018, ..., 156/2020 harmonized amounts in RSD and 15/2021 harmonized amounts in RSD)
- Law on Budget System (Official Gazette of RS No. 54/2009, ..., 149/2020, 118/2021 and 138/2022)
- Law on Republic Administrative Fees (Official Gazette of RS No. 43/2003, ..., 144/2020 and 62/2021 harmonized amounts in RSD and 138/2022)
- Law on Local Government Financing (Official Gazette of RS No. 62/2006, ..... 111/2021)



# 1. MINISTRY OF FINANCE

## 1.17 ENABLE CASHLESS PAYMENT OF FEES AND CHARGES WITHOUT SUBMITTING PROOF OF PAYMENT

### PROBLEM DESCRIPTION

In performing their work, the public administration and courts 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 recorded and kept 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.

The consequence of this situation is the inability of institutions that conduct procedures to identify abuses such as submitting payment slips for cancelled 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.

In 2020, the first steps towards solving this problem were made. Namely, the changes to the program for automatic case management in basic and higher courts (AVP) enables automatic posting of payments through the system, so that there is no need to submit payment slips as proof of payment for all fees charged using this program. In cooperation with the Treasury Department 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 providing the reference number when making the payment, the fee is automatically posted, without the need to submit proof of payment to the relevant court. In addition to the previously enabled electronic payment of fees and 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.

### 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 in line with 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.

The problem of possible non-payment of obligations / fees would be permanently solved by enabling cashless payment in all proceedings before state administration bodies and courts, which would allow the payment to be immediately identified by the competent authorities.

Having in mind that in 2021 the ePayment system was developed on the eGovernment portal, which is currently used for Ministry of Interior and Tax Administration services, it is possible to expand the scope of this system to other services provided on the eGovernment portal, but also those that are not currently digitized. It would be beneficial to implement this recommendation for court fees as well, which is the jurisdiction of the Ministry of Justice.

*In 2021, the Office for IT and eGovernment, in cooperation with the Ministry of the Interior, developed the ePayment system, which currently allows citizens to generate a unique payment slip with a unique reference number for about 300 services provided by the Ministry of the Interior without the need for the subsequent issuance of proof of payment, bearing in mind that the system automatically sends all the necessary data to the body providing the service and the Treasury. This certainly represents a great potential for expanding the use of the ePayment system for other services on the eGovernment portal, but also for services that have not yet been digitized. Amendments to the Law on Property Taxes and the Rulebook on the conditions and manner of keeping accounts for the payment of public revenues and distribution of funds from these accounts introduced a new electronic service on the ePayment portal on 31 March 22, enabling calculation and payment of tax on the transfer of absolute rights in the process of transferring ownership of a motor vehicle, thus making the recommendation partially realized. The stated service is provided by the Ministry of Finance – Tax Administration.*

### REGULATIONS

- Law on Republic Administrative Fees (Official Gazette of RS no. 43/2003, ..., 144/2020, 62/2021- harmonized amounts in RSD and 138/2022)
- 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 no 16/16, ..., 10/2022)
- Law on Property Taxes (Official Gazette of RS no. 26/2001, ..., 118/2021 and 138/2022)

### 3. MINISTRY OF HEALTH

#### 3.2 ESTABLISH A UNIQUE ELECTRONIC HEALTH RECORD AND CENTRAL RECORD OF MATERIAL RESOURCES IN HEALTHCARE

##### PROBLEM DESCRIPTION

The Law on Healthcare, as well as accompanying by-laws, define the integrated health information system (IZIS). IZIS is designed as a unique system that includes all electronic services for patients and state health institutions, including the patient's Electronic Health Record. However, in practice, IZIS does not provide all the necessary data about patients within their medical records. For example, there are cases when the medical record does not show all the referrals given to a patient, the specialist doctors' reports about performed examinations, the scans that the patient took in other health institutions etc. In addition, the electronic patient record currently does not contain data from private practices, including private laboratories, which ultimately leads to incomplete data and makes it difficult to track the patient's medical history. The mentioned problems arise due to the lack of standards for keeping records, unclear protocols for data access, as well as the impossibility of local integration with the central information system, which leads to numerous patient data remaining "trapped" in a single place, and all of this results in inefficient healthcare system.

At the same time effective management of health policy is also impossible due to the lack of data on health institutions (such as human capacity, number of available beds, available equipment, infrastructure, etc.) that would be available in real time to the management of that institution, the Ministry of Health or the Government of the RS.

##### PROPOSED SOLUTION

For healthcare to be more effective, it is necessary to:

- Amend regulations so as to define the data the unique electronic patient record should contain, the standards and clear procedures for data entry and management, as well as the data access rights (the electronic record should also include data from the private sector);
- Define technological solutions for managing health records that will enable the integration of data from all health institutions (both private and public) and follow the history of illness regardless of the place of treatment;
- Enable that doctors at all levels of healthcare can access the patient's medical file through their local systems so that they have all the data on examinations, diagnoses and prescribed therapies that could influence treatment decisions;
- Train everyone who is required to keep basic medical documentation and abolish the obligation to keep basic medical documentation in paper form.

For resource management in healthcare to be possible, it is necessary to:

- Establish a central, real-time, up-to-date record of all material resources in primary, secondary and tertiary health care (current number of practicing doctors/specialists, medical staff, available beds, available diagnostic devices, drugs, medical devices, etc.).

*The recommendation was assessed as partially implemented, bearing in mind that significant strategic steps were taken towards its implementation. Namely, in January 2021, after years of advocacy by NALED, the Government of Serbia formed the Coordination Body for the Digitization of the Healthcare System, with the aim of a strategic approach to the development of eHealth. The Coordination body established a working group that prepared the Healthcare Digitalization Program in the Republic of Serbia with an action plan, which was adopted in February 2022. The unique electronic health record is recognized as one of the elements of eHealth, which makes its establishment and full implementation a priority among digitization measures. In addition, in 2022, new functionalities were released on the eHealth portal that allow citizens to access their medical data, for now exclusively from state health institutions. During 2022, the Institute for Public Health "Milan Jovanović Batut" initiated the development of expert-methodological instructions for the electronic medical file, and the Ministry of Health launched an initiative for the development of the electronic medical file.*

##### REGULATIONS

- Law on Health Documentation and Health Records (Official Gazette of RS, br. 123/2014,..., 25/2019)
- Law on Healthcare (Official Gazette RS, number 25/2019) and accompanying by-laws

### 3. MINISTRY OF HEALTH

#### 3.8 INTRODUCE THE eSICKLEAVE SYSTEM

##### PROBLEM DESCRIPTION

In order for a patient to exercise the right to treatment at the tertiary level of health care (clinical centers, clinics, institutes, KBC), they must have a referral certified by the competent branch of the RHIF, and issued by a chosen doctor from the health center.

The Rulebook on the method and procedure for exercising rights from mandatory health insurance stipulates that the medical committee of the patient's/insured designated branch is the one that is determined based on the headquarters of the health institution where the insured person has a chosen doctor. However, in some branches of the RHIF in smaller towns, the medical committee works only a few times a month. This means that when it is necessary to exercise certain rights (such as extending sick leave, approving medical aids, etc.), the competent medical committee cannot perform this task, but the patient is sent to the next closest place where they can get the committee's opinion.

However, the medical commission in the nearest place cannot access the file of insured persons from other branches through the electronic system IZIS, and the patient returns with opinion written on paper to the main branch in order to have the documents entered and verified in the system. Also, apart from the patient, there is also an unjustified administrative burden on the employers when calculating the compensation during sick leave.

Article 81 of the Rulebook stipulates the obligation to submit nine documents in order to exercise the right to salary compensation during temporary incapacity for work. The employer prepares and submits the prescribed documentation to the designated branch office of the RHIF. It often happens that, due to the ambiguity of the method of calculation, the RHIF has to make a correction of the calculation in most cases, which also extends the period of payment, i.e. refunds of paid wages.

##### PROPOSED SOLUTION

We propose amending the Law on Health Insurance, as well as amending the Rulebook on the method and procedure for exercising rights from mandatory health insurance, by abolishing the patient's obligation to submit documentation that can be obtained through the electronic system by a chosen doctor or committee.

Bearing in mind the limitations in employment, but also the economic unprofitability of the daily engagement of the medical commission, as a temporary solution it is proposed to simplify the procedure of delivering the commission's opinion outside the patient's designated branch office through the electronic IZIS system.

In this regard, it is necessary for the medical committee, which is outside the patient's designated branch, to allow access to patient's file through the IZIS system in case the patient has a referral for this medical committee, i.e. if there is no possibility to obtain such an opinion from the medical committee in the home branch.

This proposed solution will enable:

- faster and easier exercise of the right to healthcare at the tertiary level for patients from smaller places who do not have a tertiary healthcare institution in their place of residence;
- more effective monitoring of a patient who is on sick leave and who needs an extension of sick leave, given that the committee will have access to the patient's electronic file.

Also, we propose to establish an electronic service for receiving documents for exercising the right to salary compensation during sick leave, as well as automatic calculation of salary compensation by RHIF.



NEW

##### REGULATIONS

- Law on Health Insurance (Official Gazette RS, br. 25/2019)
- Rulebook on the method and procedure for exercising rights from compulsory health insurance (Official Gazette RS, no. 10/2010, ..... 31/2021 - other. rulebook)

## 4. MINISTRY OF LABOR, EMPLOYMENT, VETERANS AND SOCIAL AFFAIRS

### 4.3 REGULATE THE FLEXIBLE AND SEASONAL FORMS OF WORK ENGAGEMENT

#### PROBLEM DESCRIPTION

According to the Analysis of the volume of shadow economy in Serbia conducted by NALED in 2018, a significant part of shadow economy in Serbia is caused by unregistered work. In addition to agriculture, the largest number of business entities with informal employees comes from the hospitality (15.1%) and construction sector (11.3%). One of the reasons why informal employment occurs more often in these areas is the temporary or seasonal nature of certain types of jobs where workers are engaged for a shorter period of time with greater intensity. Also, according to the results of the citizens' survey, an average of 55,877 households a year in Serbia hire workers for domestic and auxiliary work, and these workers are not registered.

Hiring workers for such jobs is even more complicated than hiring permanent workers (keeping in mind the basis of insurance), which is one of the reasons why employers do not register workers who work for them temporarily, often only for a few days. Additionally, the costs of hiring casual or temporary workers, in terms of taxes and contributions, are disproportionately high.

The Labor Law, which was substantially amended in 2014, did not adequately anticipate the changes in the labor market, and there was also an absence of adequate legal regulation of certain forms of employment of workers, primarily in the part of non-standard form of employment, i.e. beyond the employment contract. The law stipulates the possibility of contracting temporary and occasional jobs, which represents work outside the standard employment, for a duration of up to 120 working days (close to half of the calendar year). However, this type of work engagement is often abused, by re-hiring the same worker after the legal term has expired and is not fully aligned with the relevant EU Directives.

Forms of work such as part-time work (two to four hours a day), work through web portals, job sharing, domestic and auxiliary work, work related to the collection of secondary raw materials, supplementary work in insurance and real estate transactions, etc. are not adequately regulated by law, and therefore neither are the rights of workers, nor the obligations of employers in connection with this type of work.

#### PROPOSED SOLUTION

Bearing in mind the positive effects of the introduction of a simplified electronic registration system for hiring seasonal workers in the agricultural sector, we suggest that this system of registration of workers be extended to other jobs that are by their nature temporary-occasional or seasonal jobs, within the construction, tourism and hospitality industries, and on household and auxiliary jobs.

In order to prevent abuse of the system, it is necessary to introduce additional restrictions compared to the existing system – in the first place, make it impossible for the employer to hire an employee who was previously dismissed from the same position under this system. In addition, part-time work needs to be defined by introducing a limitation of engagement to a maximum of 15 days per month in construction, tourism and hospitality. Also, in these activities, quotas should be introduced for the number of these workers in relation to the number of permanently employed workers. Finally, the text should be harmonized with Directive 2019/1152 on transparent and predictable working conditions.

We also suggest that in accordance with the needs of the labor market, the current Labor Law be amended, or new regulations be enacted that would enable new ways of contracting, when it comes to non-standard form of employment, as well as standard employment, specifying part-time work, job sharing, work outside the employer's place of work. Also, it is necessary to regulate temporary and casual jobs, author's and other contracts differently, in order to prevent abuse of the rights of employed persons. The changes should enable flexible engagement, while respecting the rights and obligations of workers and employers and in accordance with the relevant EU Directives on workers' rights.

Amendments to the Labor Law or adoption of other regulations should be accompanied by amendments to the corresponding tax regulations, in order to ensure adequate tax treatment of new forms of work and enable exercise of workers' rights in accordance with the type of engagement.



PARTIALLY  
RESOLVED

*In its recommendations within Chapter 19 - Social policy and employment, the European Commission points out that in the coming period, Serbia should provide adequate financial and institutional resources for employment and social policy, which would be more systematically aimed at young people, women and the long-term unemployed. The European Commission also proposes to amend the Labor Law, but also highlights the problem of the existence of a minimum base for social contributions that discourages part-time employment, especially for women.*



*During 2020, an ex ante analysis was performed regarding the expansion of simplified engagement of workers in certain jobs to the sectors of construction, tourism and hospitality, and domestic and auxiliary jobs, after which a working group was formed to amend the Law on Simplified Work Engagement on Seasonal Jobs in Certain Activities. Due to the scope of the changes, a new Draft Law was prepared, which underwent a public discussion in the period from 3 to 22 September 2021, after which it was harmonized with the opinions of the competent authorities by the end of November 2021. However, the Law has not yet been passed, and seasonal workers in these activities remain employed illegally, without exercising the appropriate rights based on work.*

#### REGULATIONS

- Law on Simplified Work Engagement on Seasonal Jobs in Certain Activities (Official Gazette RS br. 50/2018)
- Labor Law (Official Gazette RS no. 24/2005, ...,113/2017 i 95/2018 – authentic interpretation)
- Law on Personal Income Tax (Official Gazette RS no. 24/2001, ...,10/2022 – harmonized RSD amounts)
- Law on Contributions for Mandatory Social Insurance (Official Gazette RS no. 84/2004, ...,118/2021 i 10/2022 harmonized RSD amounts)

## 4. MINISTRY OF LABOR, EMPLOYMENT, VETERANS AND SOCIAL AFFAIRS

### 4.7 ENABLE ELECTRONIC STORAGE AND DELIVERY OF LABOR RELATIONS DOCUMENTS

#### PROBLEM DESCRIPTION

In accordance with Article 75 and 121 of the Labor Law, only two documents can be sent in electronic form - the decision for annual leave and the pay slip. In 2015, the Ministry of Labor, Employment, Veterans and Social Affairs issued two opinions related to the method of submitting the above-mentioned documents in electronic form. In order to improve the work process, it is necessary to expand this list to include other documents, including the employment contract, the regulation on systematization, decisions and other documents arising from the labor legal relationship between employers and employees. Practice shows that inspections often interpret that all documents should be in paper form, although it is prescribed that they can be in electronic form, which indicates the unevenness of the practice of inspection bodies, and on the other hand, some cases do include explicit statements that paper form is the only valid form (Law on Safety and Health at Work, Law on Fire Protection). Due to all of the above, it is necessary to enable all documents to be adopted and delivered in electronic form, as well as to harmonize other regulations with the Labor Law.

#### PROPOSED SOLUTION

We propose that a special article be defined in the general provisions of the Labor Law, which will include the possibility and an alternative that general and special acts can be passed, signed and delivered in paper and electronic form.



#### REGULATIONS

· Labor law (Official Gazette RS no. 113/2017 i 95/2018 - authentic interpretation)

## 5. MINISTRY OF CONSTRUCTION, TRANSPORT AND INFRASTRUCTURE

### 5.1 SPEED UP AND DIGITIZE THE LEGALIZATION PROCEDURE

#### PROBLEM DESCRIPTION

Amendments to the Law on Planning and Construction from 2009 provided a solution enabling illegal buildings to be legalized when possible, rather than being demolished, but little progress has been made towards it. The amendments to the Law on Legalization of Buildings from October 2018 further complicated the legalization process. Namely, it established a five-year time limit for legalization (November 2023), and it prohibited trade of buildings undergoing legalization process, which introduced further complications due to inability to complete insolvency and enforcement proceedings if a part of debtor's property is not legalized. Article 25 Paragraph 7 of the Law also prohibited legalization of individual parts of residential buildings, since the law stipulates these parts cannot be legalized if a building does not have a construction permit. The legal solution is also unfair as it enables unscrupulous investors to legalize illegal construction, while denying this right to innocent citizens who purchased parts of building where construction permit was not followed, which was a thing that could not be checked at the time of construction, as there was no legal obligation of registering building foundation and completion. Law amendments from 2020 failed to make steps towards simplifying and speeding up the legalization procedure. An issue to be reviewed is the legal solution requiring that legalized facilities should be registered under investors' name, if the investor is publicly known, as it could introduce risk of debt collection from insolvent or unscrupulous investors through sale of buildings, which is why legalization can be risky for law abiding buyers. Another issue to be reconsidered is the conditioning of legalization with the payment of construction land development fee, particularly when the investor and the legalization applicant are not the same person. In practice, all liabilities related to land development are held by the investor, and due to interest fees, over time they have strongly increased and it is not realistic to expect home owners to pay the debts of investors, particularly since the current solution stipulates that the first person to legalize their part is obliged to pay the total amount for the entire building. We also suggest reconsideration of the ban of connection to infrastructure for buildings undergoing legalization, if they already involve tenants and if they are already connected to other types of infrastructure. Another thing to note is the lack of local government capacities for implementing the legalization processes, with NALED analysis from 2020 showing that, if all conditions stay the same, they would need more than 40 years to legalize all illegal facilities.

#### PROPOSED SOLUTION

We propose amendments to the Law on Legalization that would enable mass legalization through the following activities: a) Public enterprises and other holders of public authority mapping the zones where mass legalization is not possible, while other areas can support mass legalization, in simplified procedures, with cases being categorized by complexity; b) establishing legalization commission on the national level to monitor the process; c) digitalizing communication among line authorities and applicants is digitalized; d) determining various degrees of legalization depending on the state of planning and technical documentation and the state of legal property issues; e) performing mass legalization first in pilot zones and pilot local governments; f) adopting a plan for countering future illegal construction. If there are efforts to improve the current legalization model, there is a need to: a) Extend the deadline for legalizing buildings; b) Enable payment of fees in installments; c) Determine deadlines for actions by public enterprises; d) Ease the burden on investors in terms of required consent from co-users; e) Separate the process of registering illegal facilities from the process of registering property right over such facilities; f) Simplify the procedure of legalizing infrastructure objects; g) Explore the possibility of entrusting legalization of certain types of objects to the private sector. In terms of categorization, legalization of buildings or parts of buildings constructed before the law was enacted should be performed as follows: a) under the name of persons that are actual owners or buyers of buildings or parts of buildings, regardless of whether the investor is publicly known and available; b) regardless of whether the whole building, including a part being legalized, is built with or without a construction permit; c) regardless of whether a use permit cannot be issued due to discrepancies from the construction permit, or due to unpaid land development fee; d) by having all actual owners pay for the legalization fee, while all reckless investors are indebted for the land development fee; e) by having an entire building legalized and registered in the Real Estate Cadaster together with legalization and the registration of the first individual part of building, while the other individual parts would be legalized and registered successively, upon the payment of fee; f) by having the institution that performs legalization submit the decision on legalization and the certificate of paid fee to the Real Estate Cadaster, for the purpose of registering property of office, through RGA eCounter.

#### REGULATIONS

· *Law on Legalization of Buildings (Official Gazette of RS No. 96/2015, 81/2020 – decision by the Constitutional Court)*

## 5. MINISTRY OF CONSTRUCTION, TRANSPORT AND INFRASTRUCTURE

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

#### PROBLEM DESCRIPTION

The Law on Planning and Construction from 2009 was meant to resolve the legal and property issues over land owned by businesses. However, such resolution failed to happen since a new law, the Law on Conversion of the Right to Use into Ownership Right for Construction Land with a Fee, was adopted in 2015 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, mostly in attractive locations, remains „locked”. The users of this construction land cannot build and invest on it, so the market value of this land is declining.

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

Automatic registration of property rights in the cadaster should be enabled for all persons who have the right to use the land, including those persons who are obliged to pay the conversion fee, because only in this way can the principle of unity of real estate be consistently implemented.

We believe that it is most expedient from the legal-political point of view to first abolish the conversion fee provisions for persons who have are entitled to property right over construction land at the moment. This would mean erasing the Article 1, Paragraph 2, items 1), 1a) and 2) of the Law on Conversion of the Right to Use into Ownership Right for Construction Land with a Fee. The proposed amendments would first extend the right to free conversion to the persons that acquired the right to use in the process of privatization, ownership transformation, insolvency or enforcement procedure, as well as the natural persons who acquired the right to use for the purpose of construction before 13 May 2003.

Proposed Law amendments would make a difference compared to the persons that cannot become land owners at the moment, as they need to fulfil the previous conditions in terms of their privatization. At the moment, sports organization, social associations and social enterprises can only hold the right to use the land, since their property is social, and therefore abolishing the Law in its entirety would not be expedient.

#### REGULATIONS

- Law on Planning and Construction (Official Gazette of RS, No. 72/2009,..., 52/2021)
- 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)

## 5. MINISTRY OF CONSTRUCTION, TRANSPORT AND INFRASTRUCTURE

### 5.5 ESTABLISH A DIGITAL PLATFORM FOR DEVELOPING AND PUBLISHING THE PLANNING DOCUMENTS (ePLAN)

#### PROBLEM DESCRIPTION

The current situation in the field of urban planning in Serbia is characterized by problems faced both by the spatial and urban planning actors, as well as by citizens and businesses, i.e. land users and potential investors. The causes of these problems are:

- Incompleteness of the planning documentation, caused by the limited capacity of LGs, which leads to the practice of determining urban planning conditions through urban planning projects, with expenses borne by investors;
- Non-uniformity of planning documents in terms of content and form, caused by deficiencies in rules and controls, as well as a decentralized planning system;
- Inconsistency of the planning documentation with the needs and development possibilities of the holders of public authority (HPA), caused by the untimely and insufficient involvement of the HPA in the preparation of the planning documents;
- The non-transparency of land use conditions defined by HPA (public companies, institutes, secretariats, directorates...), caused by the lack of interest of HPA in regulating the conditions of use, i.e. legal regimes of land use;
- Expensive and complicated process of obtaining conditions for design and connection, caused by the right of HPA to charge for these conditions.

The above-mentioned problems open the way for:

- Slow and difficult infrastructural development;
- Loss/missing out on private sector investments;
- Corruption in the procedure of issuing location conditions, (conditions for design and connection), issuing building and use permits, as well as in legalization procedures;
- Illegal construction etc.

#### PROPOSED SOLUTION

We suggest that the Ministry initiates and ensures the implementation of the reform of legal and institutional framework for establishing the ePlan system, as a digital platform for the production and distribution of spatial data, which would consist of:

- Establishment of ePlan, as a central information system for the creation of planning documents and legal regimes regulating the use of space and land, including construction conditions;
- Optimization of planning documents by type and standardization of their content, methodology and form in which they are created and exchanged;
- Establishment of legal framework and software application for the implementation of a unified electronic procedure for the adoption of spatial and urban plans and the verification of urban projects, which will ensure an efficient and transparent process of planning documents adoption, with significant improvements in the consultation process, i.e. public involvement in the process of drafting planning documents;
- Establishment of a software application for quality control, i.e. verification of compliance of digital data from spatial and urban plans and urban projects with the adopted technical standards;
- Establishment of the Central Database for planning documents and urban projects and valid legal regimes of HPA, i.e. conditions and restrictions related to the use of space and land, including the conditions for the construction of buildings and their connection to the HPA infrastructure, along with the digitization of valid (existing) planning documents and urban projects;
- Improving the capacity of LGs to perform tasks in the field of urban planning by establishing inter-municipal cooperation;
- Establishment of eSpace portal which will ensure public availability of all relevant information related to the conditions of use of space and land in Serbia.

#### REGULATIONS

- *Law on Planning and Construction (Official Gazette of RS, No. 72/2009, ..., 52/2021)*
- *Rulebook on the content, manner and procedure of creating spatial and urban planning documents (Official Gazette of RS, No. 32/2019)*
- *Rulebook on the content and manner of managing and maintaining the Central Registry of Planning Documents, the information system on the state of the field and the local information system, and the digital format for submitting planning documents (Official Gazette of RS, No. 33/2015)*



# 7. MINISTRY OF AGRICULTURE, FORESTRY AND WATER MANAGEMENT

## 7.1 INTRODUCE ELECTRONIC REGISTRY OF AGRICULTURAL HOLDINGS AND INCENTIVES (eAGRAR)

### PROBLEM DESCRIPTION

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 – DAP 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 households – 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 DAP. 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 Department), 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

Amendments to the Law on Agriculture and Rural Development from December 2021 governed the electronic procedure of the Agrarian Payments Directorate in terms of RPG management, as well as the future software solution eAgrar, thus making a significant step towards implementing the reform of the manner of recording agricultural households and approving incentives for farmers. In order to fully implement the reform, the following steps need to be taken:

- Amend the Law on Incentives in Agriculture and Rural Development in order to define the electronic actions of DAP related to the approving of national direct incentives
- Amend bylaws arising from the Law on Agriculture and Rural Development and the Law on Incentives, so as to govern in more detail the electronic procedure for submitting and approving requests for entry, amendments and deletion from the Register, but also for national direct incentives;
- Develop an eAgrar software solution that enables electronic processing, as well as the creation of up-to-date and digital Registry of Agricultural Households and the Registry of National Measures/Incentives;
- Enable automatic importing of data from the Real Estate Cadastre and Animal Database on a daily basis, as well as other relevant databases such as the Ministry of Interior or Tax Administration records or national registry books.
- Provide relevant actors such as inspectors, ministries, local governments, etc. access to the eAgrar database in the required domain.

The introduction of eAgrar system will significantly facilitate, speed up and make more transparent the procedures for enrolling in RPGs and approving subsidies to farmers, while reducing administrative costs by 85%. Also, by linking over 20 public registers, eAgrar would enable the competent ministry to have better control, analytics and planning.

*In its report for Chapter 11 – Agriculture and rural development, the EU Commission indicates that joint agricultural policy requires strong management and control system that will ensure support for the farmers and for rural development. Introducing an up-to-date Registry of Agricultural Households and its linking with the database of animals and database of land is one of the three pillars for introducing future integrated administrative and control system (IACS) used by EU member countries in approving incentives for farmers.*



*In September 2021, amendments to the Law on Agriculture and Rural Development were adopted, introducing the electronic platform eAgrar from July 1, 2022, which is why the recommendation was assessed as partially implemented. The eAgrar platform will enable farmers to submit requests for entry, changes or deletion from the RPG registry, entirely in electronic form. Farmers will be able to see their household data at any point, and monitor the status of their applications for subsidies. However, the technical conditions are still not met, which is why the platform development was postponed.*

*In cooperation with the Ministry of Agriculture and the DAP, and with the support of the European Bank for Reconstruction and Development (EBRD), in October 2021, NALED launched the project Support to eAgrar Reform in Serbia, which provides professional and technical support to relevant institutions in implementing the reform*

### REGULATIONS

- Law on Agriculture and Rural Development (Official Gazette of RS, No. 41/2009, ...,114/2021)
- Law on Incentives in Agriculture and Rural Development (Official Gazette of RS No. 10/2013.....101/2016)
- Rulebook on Entry in the Register of Agricultural Holdings and Renewal of Registration and Conditions for Passive Status of Agricultural Holdings (Official Gazette of RS No. 17/2013, ..., 6/2019)
- Regulations on incentives in agriculture

## 8. MINISTRY OF ENVIRONMENTAL PROTECTION

### 8.8 INTRODUCE A DEPOSIT SYSTEM FOR THE RETURN OF BEVERAGE PACKAGING

#### PROBLEM DESCRIPTION

So far, beverage packaging was mostly collected by businesses, but to achieve specific EU goals in terms of materials, Serbia needs more extensive collection of packaging by citizens, i.e. consumers, that is, it is necessary to find a mechanism that will make the existing system of extended producer responsibility (EPR) more efficient. The EU's goal by 2030 is to recycle an average of 70% of packaging waste of all materials.

If the existing system is not improved, it will take Serbia more than 10 years to achieve the stated EU goal. Namely, according to Article 16, Paragraph 4 of the Law on Packaging and Packaging Waste, the Plan for the Reduction of Packaging Waste is adopted by the Government at the proposal of the Ministry responsible for environmental protection for a period of five years. Currently, the Regulation establishing the Plan for the reduction of packaging waste for the period from 2020 to 2024 is in force, which prescribes national goals for the collection, as well as the reuse and recycling of packaging waste.

The general goal for reuse in 2020 was 61%, and 56% for recycling of the total packaging placed on the market. The plan is to increase the goals by 1 percentage point each year, so that in 2024 they amount to 65% for reuse, or 60% for recycling of packaging. In addition, according to the type of material used for packaging, the individual recycling targets in 2024 are: 70% paper, 42% plastic, 48% glass, 49% metal and 24% wood. In other words, according to the current Plan by 2030, the average for all materials would be below 60% (58.7%).

#### PROPOSED SOLUTION

We propose to amend the Law on Packaging and Packaging Waste to introduce a deposit system for the return of beverage packaging and provide for the establishment of a Depository Organization led by responsible industry (which includes manufacturers, importers, packers/fillers and suppliers), with adequate state supervision through participation in management and control bodies.

It is necessary to stipulate that the period required for the establishment of the system must be at least three years from the moment of adoption of the complete legislative framework. Also, by-laws should envisage that products placed on the market at the beginning of the deposit system application can remain in the market until the expiration date, which can be longer than three years (if the products have not exceeded the expiry date).

Additionally, we propose to stipulate that the deposit that has not been returned to consumers remains the property of the Depository Organization and can be used for the functioning and improvement of the system.

We also believe that it is important to include industry representatives in the process of drafting by-laws, according to the same principle as in the drafting phase of the Law, during 2018. The implementation of the system should be based on digitization and the application of the best available technology (BAT), as well as through a widely available infrastructure network where packaging waste can be disposed of.

According to the analysis prepared by NALED for the introduction of the deposit system in the Republic of Serbia, it was estimated that the implementation of DRS in Serbia would have a positive impact on society as a whole as well as on the field of ecology, through: the creation of 1,270 jobs; at least doubled the recycled amount of packaging, and the volume of garbage in landfills would be reduced by a fifth; savings based on the reduction of greenhouse effects and improvement of air quality, which are estimated at around 1.4 million euros, and based on the reduction of waste with an estimated effect of around 553 million euros.

*In the countries of Western Europe, where the percentage of utilization and recycling of waste is over 90%, a deposit return system for packaging (DRS - Deposit Return System) was introduced in different modes of functioning. Considering the EU's goal that by 2030 70% of packaging waste be recycled, it is necessary to upgrade the existing EPR system in the Republic of Serbia with a DRS system.*



#### REGULATIONS

- Law on Packaging and Packaging Waste (Official Gazette of RS, 36/2009 - 95/2018 – other law)
- Regulation on establishing the Plan for the reduction of packaging waste for the period from 2020 to 2024 (Official Gazette of RS, No. 81/2020)

# 15. PROBLEMS UNDER THE JURISDICTION OF MULTIPLE INSTITUTIONS

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

## 15.8 IMPROVE THE WASTEWATER TREATMENT AND CONTROL SYSTEM

### PROBLEM DESCRIPTION

The Regulation on threshold values for the emission of polluting substances into water and the periods for reaching these values stipulates that a legal entity, or an entrepreneur, that has wastewater treatment facilities and/or that discharges its wastewater into a recipient or public sewer, is obliged to harmonize its emissions with the threshold values of emission of pollutants into water prescribed by this regulation, no later than 31 December 31 2025.

Also, a legal entity, or an entrepreneur which has facilities that discharge wastewater into a recipient or public sewer, is obliged to submit an Action Plan and a Report on the implementation of the Action Plan to the ministries responsible for environmental protection and water management, every two years from the date of adoption Action plan.

The problem with the regulation is that when deciding on investment in the construction of a wastewater treatment plant, there is no clear roadmap for the procedures, along with the low capacity when planning the construction of the plant and during implementation. The existing wastewater system does not meet the needs both in terms of capacity and technical equipment and required standards. The number of inspectors, both at the national and local level, is insufficient to carry out regular monitoring of wastewater. Inspectors rely on the local registry of pollution sources (well conceived, but insufficiently implemented in practice). Also, the inspectors do not have the capacity to deal with advisory work, and at the local level there are overlaps between the municipal inspection and the environmental protection inspection, along with an overlap of jurisdiction with the water management inspection.

### PROPOSED SOLUTION

The action plan for reaching the threshold values of emission of polluting substances into water should be implemented in the following way:

- By amending the regulations, create conditions that allow Action Plans to be "practical guides" for the construction of the missing wastewater treatment plants;
- Ensure the verification of plans by the competent authorities and determine the form that will illustrate the roadmap for reaching the required standard in the waste water management system;
- Prepare guides for the procedures of adequate planning and construction of wastewater treatment plants in order to meet the obligations in accordance with the Regulation by 31 December 2025, and provide a more active advisory service (especially for small and medium-sized enterprises) and incentives.

It is necessary to strengthen the capacities of inspection services through training for inspectors, regulated through the Professional Development Program, provision of adequate equipment for inspection supervision, continued coordination and cooperation of related inspections in the field of wastewater (coordination of water management and environmental protection inspectors, sanitary inspectors and others). Accordingly, it is necessary to amend and supplement the inspection regulations in order to eliminate the existing problems of overlapping jurisdictions.

*As part of the USAID project "Public-Private Dialogue for Growth", NALED, in cooperation with the association "3e" and the Network of Inspectors of Serbia, developed a practical guide for wastewater treatment that includes a description of all activities during the planning and construction of wastewater facilities, as well as a description of the process of reporting on wastewater. The main goal of the Guide is to help businesses, public and other entities that generate wastewater to handle it safely in order to protect and prevent water and environmental pollution. The project is supported by the Ministry of Environmental Protection, the Ministry of Agriculture, Forestry and Water Management, as well as the Environmental Protection Agency. The guide represents a good first step towards spreading awareness of the importance of this issue, but it is necessary to continue with the systemic solution of this problem.*

*In its report from October 2022, the European Commission, within the framework of Chapter 27 - Environmental protection and climate change, recommended, among other things, the more extensive work on the implementation and application of regulations with the aim of improving air and water quality.*



### REGULATIONS

- Regulation on limit values of emissions of polluting substances into water and deadlines for reaching them (Official Gazette of RS no. 67/2011, ...,01/2016)

# IMPRESUM

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