



Government of the Republic of Serbia

NEEDS OF THE REPUBLIC OF SERBIA FOR INTERNATIONAL ASSISTANCE

IN THE PERIOD 2009 – 2011



Belgrade, September 2009

CONTENTS

INTRODUCTION	1
Context	1
Objectives and Purpose of the Document	2
Contents of the Document	3
1. CONDITION AND EXPECTED REFORMS IN THE PERIOD 2009-2011.....	5
1.1. Achieved Level of Reforms	5
1.2. Realization of International Assistance to the Republic of Serbia in the Period 2000- 2008	7
1.3. Basic Development Goals and Priorities	8
1.4. Goals in the use of International Assistance to the Republic of Serbia	11
2. INTER-SECTORAL PRIORITIES FOR INTERNATIONAL ASSISTANCE	15
Mitigation of Negative Effects of the Global Economic Crisis on the Serbian Economy and Living Standard of its Citizens	15
2.1. Fostering Employment – Economic Development and Education for Employment Increase	16
2.2. Building and Strengthening of Institutional Capacities	22
2.3. Construction, Reconstruction and Modernisation of Infrastructure	27
2.4. Environment Protection	34
2.5. Regional Development	41
2.6. Rural Development	43
3. SITUATION OVERVIEW, SECTOR PRIORITIES AND NEEDS FOR THE PERIOD 2009 – 2011, BY SECTORS	48
3.1. Finance	48
3.2. Public Administration and Local Self-Government	60
3.3. Economy and Regional Development	65
3.4. Labour and Social Policy	103
3.5. Agriculture, Forestry and Water Management	122
3.6. Mining and Energy	138
3.7. Trade and Services	161
3.8. Education	170
3.9. Culture	177
3.10. Public Health	181
3.11. Science	191
3.12. Environmental Protection	194
3.13. Town and Spatial Planning and Housing	212
3.14. Internal Affairs	215
3.15. Transport	234
3.16. Telecommunication and Information Society	250
3.17. Justice	260
3.18. Defence	272
3.19. Human and Minority Rights	278
3.20. Youth and Sports	288
3.21. Diaspora	294
3.22. National Investment Plan – NIP	301
ANNEX I - REPORT ON BASELINE VALUES FOR MONITORING EFFECTIVENESS OF INTERNATIONAL ASSISTANCE TO THE REPUBLIC OF SERBIA	292
ANNEX II - ASSESSMENT OF THE IMPACT OF DEVELOPMENT ASSISTANCE UPON EMPLOYMENT	308

INTRODUCTION

Context

Following the political changes in October 2000 and since the launching of the economic reforms and transition to the market-oriented economy, the Government has faced numerous challenges. These challenges ranged from the need to establish macroeconomic stability and fiscal discipline, issues related to settlement of external and internal debt, high unemployment, weak economic activity, deteriorating infrastructure, social problems and delays in payments of social and pensions allowances to the political issues accompanied by redefinition of the relations between Serbia and Montenegro, issue of Kosovo and Metohija and cooperation with the International Criminal Tribunal in the Hague. In addition to the urgent interventions that were necessary (to ensure recovery of power system and electricity import, payments of overdue pensions and social benefits, provision of medicines and medical equipment, etc), launching of reforms required intensive efforts on achieving systemic legal and institutional changes, and establishing mechanisms for implementation of such laws. Foreign trade liberalization, prices and internal market liberalization, pension and social welfare system reform, reform of banking sector, reform of public finance, health system reform, state administration reform and its decentralization and reforms in the area of agriculture, energy sector, education, private sector development, etc. were thus started. At the same time, the process of regaining membership in the international organizations was under way; the process of integration into regional and international institutions and initiatives was started, as well as negotiating World Trade Organization accession, and as the key commitment of the Government - process of Serbia's integration into the European Union.

In that context, the Republic of Serbia needed financial support of the international community, which played an important role in the period after 2001 not only for addressing urgent issues, but also in the later years for supporting reform processes, reconstruction of the infrastructure and initiation of the European integration process. Considering the importance of the efficient coordination and the necessity of monitoring overall international assistance granted to the Republic of Serbia, then Ministry of International Economic Relations set up the Donations and Development Assistance Department, responsible for coordination, monitoring and harmonization of donors' assistance. Since May 2007, harmonization of activities in the area of planning, provision and use of donations, European funds and other forms of foreign development assistance are within the competence of the Ministry of Finance, Sector for Programming and Management of European Union Funds and Development Assistance.

The importance of international assistance is obvious from data that the realized amount of foreign assistance granted to the Republic of Serbia in the period from 2000 through 2008 was EUR 4,725 million. The nature of foreign assistance has changed over the years, from predominantly humanitarian and emergency assistance in late 2000 and in 2001 to development assistance has been growing in proportion in the later years.

To enhance the efficiency and effectiveness of international assistance in the Republic of Serbia, preparation of strategic inter-sectoral documents to be presented to the international community at donors' conferences for FRY/Serbia and Montenegro, was initiated. In June 2001, at the Donors' Conference for FRY, held in Brussels, the document "Reform Agenda of the Republic of Serbia – Needs for International Financial Support", covering 2001-2003 period, was presented, in which key reform directions and objectives were defined for the respective period, with the overview of the needs for foreign assistance by sectors. In November 2003, at the Donors' Meeting for Serbia and Montenegro held in Brussels, the document "Serbia on the Move – Three Years Later" was presented, containing the list of achieved activities in the past period and set out goals and plans for the next three years covered by the document. This document defined five key priority areas for the Republic of Serbia in terms of providing continuous support by the international community. These areas included: civic society, media and democratization; public administration and local self-government reform; European integrations; rule of law and elimination of barriers for enterprises development and entrepreneurship. In the period between donors' conferences, these documents served as the basis for channelling new donor assistance and programming of funds. As the document "Serbia on the Move – Three Years Later" referred to the period 2003-2005, and given the significant results of reforms, achieved in different fields, and new strategic frameworks set meanwhile, it became necessary to prepare a new inter-sectoral document which would provide an overview of the past results and define, in accordance with the existing strategic goals and financial projections, needs for international support in the future period. In 2006, the document "Needs of the Republic of Serbia for International Assistance in the Period 2007 – 2009" was prepared and updated annually to cover the following three-year period. The Government of the Republic of Serbia adopted this

document on 11 January 2007. One year after the preparation of the first document "Needs of the Republic of Serbia for International Assistance in the Period 2007-2009", as planned, the Ministry of Finance revised, in coordination with other ministries and other relevant institutions the original document and prepared, as a starting point for planning and programming assistance in the following years, a new inter-sectoral programming document "Needs of the Republic of Serbia for International Assistance in the Period 2008-2010". The Government of the Republic of Serbia adopted the document in April 2008 and defined, in order to improve international assistance effectiveness, priority programmes and activities within the sectors as well as inter-sectoral priorities in the respective period.

Having in mind that since 2007 the assistance of the European Union has been provided through a new instrument (instead of CARDS Programme – Community Assistance for Reconstruction, Development and Stabilization, a new instrument IPA – Instrument for Pre-Accession), the planning framework for the programming this instrument was set up – Multi-annual Indicative Planning Document is being revised annually to cover the next three-year period.

Objectives and Purpose of the Document

The inter-sectoral programming document "Needs of the Republic of Serbia for International Assistance" defines prioritized action programmes within the sector, as well as cross-sectoral priorities, as the basis for programming of international assistance funds, for the purpose of enhancing the effectiveness of such assistance. The document is based on the existing strategic framework and defined mid-term objectives. and sets out the programme of prioritised activities and projects for realization of such objectives. The purpose of the document is to contribute to the implementation of the reforms and strategic goals of the Government by introducing a three-year programming framework and providing necessary level and structure of international assistance. The document will be presented to the donor community with a aim to harmonize donor activities and support with the national development priorities.

The document sets out priority goals and plans/programmes for achieving such goals by sectors, identifies inter-sectoral priorities for international support in the following three-year period and assesses, based on the macroeconomic projections for the observed three-year period, the required international assistance per annum.

In that context, the document shall be used as the instrument for harmonization and alignment of donors' assistance in accordance with the Paris Declaration, adopted at the Forum on Aid Effectiveness in Paris in March 2005 by the donors and recipient countries. Programmes defined by this document shall represent the basis in the process of programming international assistance in 2009. The Ministry of Finance launched in the course of 2008 a series of initiatives in order to improve effectiveness of the external funding. According to the Paris Declaration on Aid Effectiveness, signed in Paris in March 2005 by the representatives of the donors and partner countries – aid recipients, the Ministry of Finance proposed and Commission for Programming and Management of EU Funds and Development Assistance¹ adopted in December 2007 "Action Plan for Improvement of International Assistance Effectiveness in 2008"². According to the Plan, the Serbian Government should, through joint work with donor community and in line with the principles of the above-mentioned Declaration, strive towards implementation of the identified specific objectives that will contribute to the achievement of the main objective, - increase in effectiveness and efficiency of international assistance funds, as contribution to achieving reform strategies and development priorities of Serbia.

Even though Serbia is a signatory to the Paris Declaration on Aid Effectiveness, adopted in Paris in 2005 and so are Serbia's key development partners, it is clear that indicators for monitoring aid effectiveness defined within the Paris Declaration can not be fully applied in the context of Serbia as an aid recipient country. Considering Serbia is in the process of accession to the European Union, its specifics as recipient are reflected in the fact that international assistance is primarily focused on the support to the European integrations as well as the fact that the major donor is the European Union itself which entails all specificities involved in the management of these funds as opposed to traditional

¹ According to the Government's Decision on appointment of chairman and members of the Commission for Programming and Management of EU Funds and Development Assistance, dated 20 November 2008, Bozidar Djelic was appointed chairman, whereas Mladjan Dinkic, Deputy Prime Minister and Minister of Economy and Regional Development, Jovan Krkobabic, Deputy Prime Minister, Diana Dragutinovic, Minister of Finance, Milan Markovic, Minister for Public Administration and Local Self-government, Verica Kalanovic, Minister for the National Investment Plan, Slobodan Milosavljevic, Minister of Trade and Services, Milutin Mrkonjic, Minister of Infrastructure, Oliver Dulic, Minister for Environment and Spatial Planning, Sulejman Ugljanin, Minister without portfolio and Milica Delevic, Director of the EU Integration Office were appointed members;"

² "Action Plan for Improvement of International Assistance Effectiveness in 2008" is enclosed as annex to the document "Needs of the Republic of Serbia for International Assistance in the Period 2008-2010".

approach on which the Paris Declaration is based. Having in mind the above-mentioned facts, "Action Plan for Improvement of International Assistance Effectiveness in 2008" identifies five specific objectives:

1. Improvement of the planning process in line ministries and overall cross-sectoral planning and prioritization concerning foreign aid assistance.
2. Better harmonization of projects and programmes financed from international assistance with national priorities.
3. Improvement of inter-ministerial cooperation and sectoral approaches to ensure better harmonization of donor activities with national policies.
4. Initiating the process of introduction of Decentralized Implementation System for EU Funds (DIS) in order to ensure gradual channelling of European Commission assistance through national systems of public finance management and public procurement³
5. Improved predictability of external financing with an aim of providing support to line ministries within yearly planning of budget and relevant activities.

In cooperation with other ministries, relevant institutions and donor community, the Ministry of Finance made significant efforts, through its Sector for Programming and Management of EU Funds and Development Assistance, towards achieving each of the above-mentioned five objectives, undertaking numerous activities for alignment of donor activities with the adopted national development strategies and priorities, better predictability of external financing sources, balanced use of external and own financing sources, channelling of the European Union assistance and increased use of the national systems for financial management and public procurement.

To achieve these objectives, to monitor their accomplishment and undertake appropriate steps, the Ministry of Finance introduced an aid effectiveness monitoring instrument, with Year 2007 set as the benchmark year for measurement of indicators. In the course of 2008, according to the Action Plan for Improvement of International Assistance Effectiveness in 2008, the Ministry of Finance (Sector for Programming and Management of EU Funds and Development Assistance) carried out, in cooperation with donor community, research with a view to establishing initial values for monitoring effectiveness of international assistance to the Republic of Serbia. The research included 28 development partners and was conducted through interviews, questionnaires, assessment of employees in the Sector for Programming and Management of EU Funds and Development Assistance and by insight in official documents and data. The Report on the research results makes an integral part of this document and is enclosed hereto as Annex I – "Report on the Initial Values for Monitoring Effectiveness of International Assistance to the Republic of Serbia".

Furthermore, the Ministry of Finance initiated study to assess the impact of international assistance in the field of employment promotion, which would contribute to measuring importance of international assistance and improve the programming process. The Study shows both the importance and sustainability of external assistance and contribution of funded projects to the institutional development, initiating changes and improved use of the national human and financial resources. The Study is an integral part of this document and is enclosed hereto as Annex II – "Evaluation of Development Assistance Effects in the Area of Employment".

Contents of the Document

The document is based on the existing strategic framework:

- National Programme for Integration with the European Union (NPI),
- Stabilization and Association Agreement,
- Poverty Reduction Strategy Paper,
- Relevant sector-level strategies,
- European Partnership priorities,
- Memorandum on the Budget and Economic and Fiscal Policy for the year 2009 with projections for 2010 and 2011.

As a cross-sectoral, programmatic framework, the document provides an overview of the current situation, mid-term objectives and priority action programmes for their realization in the 2009-2011 period, by sectors. The action programme is based on strategic framework in order to define priorities to allow most effective allocation of financial resources and other forms of assistance. Furthermore, the tables with prioritized reform and investment projects by sectors contain all priorities, regardless of the financing sources (with indication whether own or external funding has already been secured for

³ Decentralised Implementation System for EU Funds - DIS

programmes/projects concerned) and constitute integrated programming platform, which will provide donors with information on planned activities and enable them to coordinate the allocation of own and external funding sources. When identifying priority programmes/projects, mid-term goals within relevant sector, defined in the above-mentioned strategic documents, are taken into consideration. Priority programs/projects were identified taking into account mid-term goals within sectors, as defined in the abovementioned strategic documents. The goal is to define, on the basis of mid-term priority goals set out in strategic documents, a single list of priorities within sectors, with programs/projects for their achievement. Ministries used Annual Operational Plans (AOP) for 2009–2011 as the basis for producing their contributions to this document.

The second chapter of this document defines inter-sectoral priorities for international assistance, in order to identify key areas which will require significant international assistance in the forthcoming period and which would serve as the basis for international partners for preparing strategic documents specifying their goals and priorities for assistance granted to the Republic of Serbia. The document identifies six priority areas with main directions of development and priority measures/ targets for the period 2009- 2011.

The criteria used in identification of priority/key areas for international assistance in the period 2009-2011 included: the level of priority and importance of the respective fields according to the existing Government's strategic documents, achieved level of reforms and evaluation of their achievement of strategic and reform objectives, importance of international technical assistance and expertise for implementation of the planned activities in the given area and possibility of securing financial funds from other sources (national budget budget of the implementing institutions, borrowing in the capital market, private investment).

Considering the current global economic crisis and its expected impact on Serbia in the period 2009-2011, importance of international support to the Government measures for mitigation of negative effects of the world economic crisis on the Serbian economy and living standard of its citizens, and urgency of such support also includes, in addition to the existing multi-year priorities, an "extra" priority for international assistance funding: "Mitigation of negative effects of the global economic crisis on the Serbian economy and living standard of its citizens"

All line ministries and other relevant institutions were involved in the preparation of the document. Inter-sectoral priorities for international assistance, closely analyzed in the second chapter of the document, are considered and approved by the Commission for Programming and Management of the EU Funds and Development Assistance.

The document is intended to be revised annually⁴ to include one additional year, each time and to reflect the achieved progress on results made in reforms, provided funds for financing priority projects and new priority projects/programmes.

⁴ In the EU regulation EU financial instrument – IPA (IPA- Instrument of Preaccession Assistance) is established, it is explicitly stated that beneficiaries of these funds are expected to make yearly additions to three-year indicative development plans (roll-on principle).

1. CONDITION AND EXPECTED REFORMS IN THE PERIOD 2009-2011

1.1. Achieved Level of Reforms

Macroeconomic stabilization, the commencement of the implementation of reforms and EU integration processes in Serbia in the period 2000-2008 were carried out in the circumstances of political instability, which primarily referred to the changes in the state status – redefinition of the relations between Serbia and Montenegro, creation of the State Union of Serbia and Montenegro, adoption of the Constitution Charter in February 2003, referendum on independence of the Republic of Montenegro in May 2006, as well as the extraordinary session of the Assembly of the Republic of Serbia in June 2006 where it was stated that Serbia was the successor of the State Union of Serbia and Montenegro and thus inherited its international subjectivity and international documents. In November 2006, the National Assembly acclaimed the Constitution of the Republic of Serbia and adopted the Constitution Law for implementation of the Constitution of the Republic of Serbia. In 2007, parliamentary elections were held, followed by a three-month period of negotiation on formation of the new Government. Furthermore, in 2007, negotiations on the future status of the southern Serbian province of Kosovo and Metohija were held, which ended in December 2007 without final agreement. At the end of the year, presidential and local elections were scheduled.

The political context in 2008 brought the final resolution of certain processes from the previous periods and new twelve months of ambivalent social circumstances, which also substantially affected the course of macroeconomic stabilization in Serbia: on 17 February 2008, the Declaration on Independence was adopted through acclamation in the Kosovo Parliament by the interim government institutions of Kosovo and Metohija. Serbian authorities responded they did not recognize the act on self-declaration of independence and that they would fight by diplomatic means for continuation of negotiations on the status of the Kosovo and Metohija Province; disagreement between coalition partners in the Government of the Republic of Serbia at that time over the Kosovo issue, but also European integrations, culminated in March 2008 and led to the collapse of the Government; early parliamentary and local elections were held in May and the new coalition Government took over duty in July by presenting an ambitious legislative agenda, including key political priorities related to European integration.

In the meantime, the Stabilization and Accession Agreement (SSA) and Interim Trade Agreement were signed between the Republic of Serbia and the European Union on the 29th of April. However, submission of the Agreement to the EU member states for ratification, as well as the implementation of the Interim Trade Agreement were still conditioned by the decision of the European Council on whether Serbia fully cooperates with the Hague Tribunal. On its part, the National Assembly of the Republic of Serbia ratified the SAA on the 9th of September, whereas in October 2008 the Serbian Government passed the decision that it will start to implement the Interim Trade Agreement ⁵ unilaterally, as of 1 January 2009, in the spirit of its commitment to European integration.

Macroeconomic trends in the 2005- 2007 period⁶. In the 2005 – 2007 period, the Republic of Serbia achieved dynamic economic growth, high growth in exports, significant inflow of foreign direct investment, improvement of economy efficacy, financial sector growth and high growth in foreign exchange reserves. Nevertheless, positive macroeconomic results were accompanied by inflation acceleration as well as increased foreign trade deficit and current account deficit, increase in wages beyond the productivity growth, growth and large scope of public spending and high unemployment level.

Major development achievements in the 2005-2007 period include growth in gross domestic product (GDP) on average rate of 6.2% p.a. and decrease in unemployment rate from 21.8% in 2005 to 18.8% in 2007. Besides that, during the mentioned three-year period, a considerable net inflow of FDIs of EUR 6.3 billion was recorded as well as increase in foreign exchange reserves, reaching the amount of EUR 10.9 billion at the end of 2007, and increase in household foreign currency savings, which reached EUR 4.9 billion at the end of 2007. Significant results in the area of economy in the 2005-2007 period were followed by an increase in internal and external imbalances. Inflation in 2007 rose to 10.1%, while the deficit of commodity transactions reached 22.8% of GDP and deficit of current transactions amounted to 14.7% of the GDP.

⁵ Actually, the beginning of unilateral implementation required certain amendments to the Customs Tariff Law, made not before January 2009. The Law Amending the Customs Tariff Law ("RS Official Gazette", No. 5/09) came into force on 30 January 2009. As of the day when this Law came into effect, the Interim Agreement on the RS Legal System is implemented.

⁶ Source: (Revised) Budget Memorandum and Fiscal and Economic Policy for the year 2009, with projections for 2010 and 2011

In the period from 2005 to 2007, the Republic of Serbia continued and intensified comprehensive public finance reform, started in 2001, by improving the legislative framework and building modern public finance institutions. Fiscal reforms carried out in this period contributed to the macroeconomic stability and created more favourable conditions for investment and economic growth. The tax system was modernized through tax reforms and significantly harmonized with the tax systems of the EU countries. In this period, certain progress in public expenditure management was made. In the consolidated balance sheet of the state sector, according to GFS methodology, a surplus of 0.9% of GDP was achieved in 2005, whereas in 2006 and 2007, the deficit reached 1.6% of GDP and 2.0% of GDP, respectively. In this period, Serbia's public debt was considerably reduced in nominal terms, thereby also substantially reducing its ratio to GDP. In 2005, the public debt-to-GDP ratio was 52.0%, in 2006 – 37.2% and in 2007 – 30.2% of the GDP.

Similar tendencies of macroeconomic indicators were also noticeable in the first nine months of 2008. However, practically in only one month, the global economic circumstances significantly deteriorated with strong effects on the Serbian economy. As in other countries in the region, the price of shares plunged on the stock exchange, financing costs rose, citizens withdrew a portion of their savings from banks, industrial output and export slowed down and the dinar depreciated. These rapidly changing global circumstances required the adjustment of the previously adopted economic projections and were thus followed by a revision of the Budget Memorandum for the year 2009⁷ and, parallelly, the planning of the measures for the mitigation of the economic crisis effects started. In that context, the conclusion of the appropriate arrangement with the IMF for the purpose of strengthening current foreign exchange reserves and reducing financial risk⁸ was estimated as an important safety measure,

In regards to the investment activities in the first quarter of 2008, political instability in the country caused their decline, which was reflected in the reduced interest of international investors in privatization, as well as new investment and stock exchange trading. Deterioration of the investment climate, as it is common in the market economies, first hit stock exchange dealings, where a drop in scope and value of turnover was registered, as well as the stock exchange index fall. From July 2008, following the formation of the Government, investment activities speeded up, but the effects of the economic crisis, evident in the domestic economy since October 2008, significantly relativized the foreseen positive trends. A rapid and considerable reduction in foreign capital inflow is at the same time a key macroeconomic risk the Serbian economy is faced with, because this scenario would mostly impact covering the high deficit in the current account balance and pull the mechanism of balance of payment crisis (reduction in foreign currency reserves, depreciation of the dinar, inflation, slowing down of economic growth, unsustainable external liquidity).

In the regional context, compared to the countries in the region, some of which are EU members and some are candidates or potential candidates for EU membership, it is clear that GDP growth will be slowed down in 2009 and 2010 in all observed countries and that Serbia will be at the level of the regional average according to the planned GDP growth. The current economic crisis had a negative impact on the labour market in the EU, as well as the Republic of Serbia. The results of the Labour Force Assessment, carried out in April, 2009, by the State Statistics Office, indicate that there is an increase in the unemployment rates and the decline of the rate of employment (the rate of unemployment rose by 1,7%, while the rate of employment decreased by 2,5%). Furthermore, according to the assessment of the EC, in the 2009-2010 period, inflation is expected to be particularly high in Bulgaria and Serbia.⁹

According to the IMF projections, the economic growth in the countries that represent major partners of Serbia in commodity exchange is expected to slow down moderately. Namely, Serbia realizes 60.2% of its exports into the following seven countries: Italy, Bosnia and Herzegovina, Montenegro, Germany, Russian Federation, Macedonia and Slovenia. Considering the high level of reliance of the Serbian economy on the economies of these countries, economic trends in those countries will also affect economic trends in Serbia. The estimated decline of commodity export in 2009 is 5%.

Planned economic policy and structure reforms in the medium-term period (through 2011). Taking the main global and internal risks for the Serbian economy into consideration, the following objectives of the economic policy were set out and will be implemented in the period from 2001 to 2009:

- Sustainable economic growth;

⁷ Revised Memorandum on the Budget and Fiscal and Economic Policy for the year 2009, with projections for 2010 and 2011, adopted in December 2008.

⁸ Upon completion of the negotiations started in mid-November 2008, the IMF approved the above-mentioned arrangement to Serbia in the value of 350.8 million of the special drawdown rights that is, EUR 402.5 million or USD 530.3 million) on 16 January 2009. Unfortunately, the global economic circumstances proved to be worsened to such extent that the realistic "security amount" for Serbia must be much higher; therefore, negotiations on the new arrangement are under way, the amount of which is estimated at about 3 billion (USD?) for 2009-2010.

⁹ Data taken from the Budget Memorandum

- Employment increase;
- Increase in the standard of living of the population
- Balanced regional development.

The necessary requirements for the realization of the macroeconomic goals mentioned above are: the reinforcement of macroeconomic stability, investment in fixed assets, construction of modern energy, transport and information infrastructure, whereas the main preconditions for the realization of the goals mentioned above are: acceleration of the European integration process and faster implementation of structural reforms.

In 2009 and the following two years, it is important that economic reforms are speeded up, which is typical of the second transition phase. This will be of crucial importance for the long-term sustainable development and stability of the Serbian economy. In that respect, it is equally important as privatization, to create a competitive setting and conditions for free market competition where all players are equal, transaction costs reduced to minimum and monopolies adequately regulated.

Key structural reforms to be executed in the following three years are:

- 1) Improvement of the economic legislation and strengthening of institutions in Serbia through the adoption and implementation of systemic laws, harmonized with the EU legislation, thus creating a legal framework and systemic conditions for a market economy;
- 2) Completion of the privatization of socially-owned companies, state owned banks and insurance companies;
- 3) Improvement of the regulatory framework for infrastructure and utility activities and beginning of privatization (partial or full) of the companies in such areas, in accordance with the development strategy for certain activities;
- 4) Improvement of the business and investment environment, including efficient implementation of the bankruptcy legislation;
- 5) Reform of judiciary system and its institutional and functional advancement, especially in the area of mechanisms for enforcement of court decisions;
- 6) Privatization of the state agricultural and construction land, including regulation of restitution;
- 7) Construction and modernization of infrastructure as a general development assumption;
- 8) Advancement of the competitiveness policy and battle against corruption.

1.2. Realization of International Assistance to the Republic of Serbia in the Period 2000- 2008

The total realized international assistance granted to the Republic of Serbia in the 2000-2008 period is approximately EUR 5 billion. Given the overall economic and social situation after the democratic changes in 2000, international assistance was necessary for dealing with urgent problems, humanitarian and social issues, achieving macroeconomic stabilization, reconstruction and rehabilitation of infrastructure systems, as well as starting the reform processes and European integration of the country. Therefore the international assistance level was highest in the first two years of transition changes, whereby in the overall observed period the following trends are also evident: decrease in humanitarian assistance compared to development assistance, decrease in non-returnable assistance compared to concessional loans, as well as a shift in the allocation of granted funds by sector. The financial crisis broke out in 2008 – debt crisis and share value collapse, retrograde trend also gripping the real sector, through a decline in consumer, manufacturer and investor confidence, as well as faster unemployment growth. The Government is making efforts to deepen regional cooperation in all areas and actively supports the implementation of various regional initiatives, such as the Regional Cooperation Council, development of economic relations within CEFTA and special regional priorities in the areas of energy and transportation.

Table 1. Overview of realized international assistance by years, EUR mil

Year	2001	2002	2003	2004	2005	2006	2007	2008
Realised international assistance	868,55	726,35	686,22	450,58	713,21	551,35	372,20	370,06
Realised international assistance as GDP %	6,6	4,3	3,8	2,3	3,4	2,2	1,2	1,2

Source: Report on international assistance to the Republic of Serbia in 2008, Ministry of Finance

The realization of international assistance in the past period was carried out through different forms of technical support, infrastructure projects and investment of the international community to a large extent. In the total volume of received assistance in the period from 2001 to 2008, by sector, the most covered sectors were: budget support – financing one-off costs of reforms in all sectors (19.3%), energy sector (16.9%) and transport (12.2%). In addition to these sectors, a significant portion of assistance started to be granted to the sectors of agriculture, water management and environment as well as the areas of the development of the private sector, local self-government and health care sectors, whereas in the period up to 2003, a high volume of international assistance was channelled to the social sector.

It is of particular importance that the implementation of projects approved within the EU Instrument of Pre-Accession Assistance (IPA) for 2007 in the amount of EUR 186.7 million started. These funds are intended for the implementation of projects for strengthening democratic institutions and rule of law, European integration, state administration reform, economic reforms, employment increase, respect of human and minority rights, promotion of gender equality, strengthening of civic society and promotion of regional cooperation, as well as reaching sustainable development and poverty reduction.

Privatisation, enterprise restructuring and reducing operating costs remain key factors of strengthening to be offered by the domestic economy, whereas deeper EU and regional integration and public infrastructure development should contribute to the development of trade and attract investment inflow. Cost-reduction measures undertaken by the Serbian Government (limitation of increase in employees' wages, staff reduction in the state administration, freezing pensions in 2009) are primarily focused on social and economic stabilization, while development assistance of the international community represents an important lever of reform needs /efforts.

International assistance in the Republic of Serbia is predominantly focused on covering one-off costs of reforms, which are exceptionally high (reform of pension system, labour legislation, fiscal sector, etc) and building new institutions of the modern market economy. It is also estimated that further development of democracy, the battle against corruption and organized crime can be conducted more intensively only in the conditions of economic stability, which is the reason why in the period up to 2010 massive and ongoing donors' support is needed, irrespective of the GDP growth level.

1.3. Basic Development Goals and Priorities

The strategic bases for defining the development course of the Republic of Serbia are the following documents: the National Strategy of Serbia for EU Accession, Serbian National Programme for Integration into the European Union, National Strategy for Economic Development of Serbia, Poverty Reduction Strategy in Serbia, Strategy of Sustainable Development of Serbia, State Administration Reform Strategy and Regional Development Strategy as well as a series of sector development strategies (stimulating export, employment, development of science and technology, education development, agriculture, energy sector and other areas, environment protection, etc).

The Government of the Republic of Serbia defined accession into the European Union as its strategic commitment, affirming it by adopting the National Strategy of Serbia for EU Accession in June 2005. Serbia's firm commitment towards the European integrations is recognized in numerous political, economic and social reasons. One of the most important reasons certainly lies in the fact that the process of accession and joining the EU provides the opportunity for overcoming systemic and development problems and creates conditions for continued economic development and prosperity of the citizens of Serbia.

The primary political framework for furthering the relations between the countries of the Western Balkans, as well as Serbia and the European Union is the Stabilisation and Accession Process. By this political approach, the European Union is trying to contribute to the faster implementation of the overall political, economic and institutional/legal reforms, which do not only represent assumptions for the transformation and modernization of the Serbian society and country, but also a precondition for progress in the process of accession and joining the European Union. The success of this process, among other things, depends on the rational and efficient utilization of all available resources and creating conditions for their increase. In that respect, financial and other forms of assistance provided by the European Union, such as the Instrument for Pre-Accession Assistance, are of exceptional importance.

The Republic of Serbia signed the Stabilization and Accession Agreement (SAA) and Interim Agreement on Trade and Trade-Related Issues with the European Union on 29 April 2008, which creates assumptions for the improvement of the overall political, economic and trade relations and stimulates the harmonization of legislation with the EU laws and cooperation between the contractual partners. The SAA and its implementation will define the pace and course of the reform processes in the Republic of Serbia until its future accession to the European Union. By signing the SAA, Serbia undertook the obligation to

carry out gradual harmonization of its legislation with the *Acquis Communautaire* and its consistent implementation, thus setting the framework for the future reform activities. In that context, the Government adopted the National Programme for Integration of the Republic of Serbia into the European Union (NPI) on the 8th of October 2008, thus defining the direction and pace of the future reform activities until the end of 2012, not only in the area of legislation, but also its efficient and consistent implementation. This document is important because among other things, it defines the development and strategic goals, appropriate policies, reforms and measures required for achieving such goals; it provides a detailed plan on harmonization of the legislation and building of institutional capacities and defines human and financial resources necessary for their implementation. This way NPI and its efficient implementation represents an important instrument for further directing and acceleration of the overall reforms in the society, the implementation of which will define not only the pace of progress towards the European Union, but also the pace of the reform processes in Serbia.

The Framework agreement between the European Union and the Republic of Serbia on the rules for cooperation referring to financial assistance of the European Union to the Republic of Serbia within the implementation of assistance according to the rules of the Instrument for Pre-Accession Assistance (IPA) was ratified on 26 December 2007, whereas on 4 April 2008 Financial Agreement between the Government of the Republic of Serbia and the European Commission regarding the national programme for Serbia within the first IPA component – assistance for transition and institution building for 2008 was signed. Signing of the Financial Agreement for 2008 is expected in April 2009.¹⁰

The Poverty reduction strategy promotes development focused on poverty reduction through dynamic economic growth, along with higher employment and personal income increase, prevention of creating new poverty in the process of privatization and economic restructuring and improvement of the social security network for the most vulnerable social groups. The Poverty reduction strategy is focused on furthering economic growth and employment as the key direction towards solving major poverty problems through faster employment, more efficient social protection and better access to health care services, education and housing. The implementation of the Strategy helped reduce the number of people living in absolute poverty, so this number was reduced from nearly one million in 2002 to below half a million in 2007. However, what still remains a main challenge is the struggle against poverty and social exclusion, especially of Roma population and internally displaced persons.¹¹

The National Strategy for Economic Development of Serbia sets forth the main development goals and directions towards modern society, developed economy and better quality of life of all citizens. It is at the same time the road towards accession and joining the European Union, on which the Republic of Serbia will activate all its human, material, natural and geo-strategic potentials speed up reform processes and establish a new role of the state. Furthermore, the Republic of Serbia must build its development on the principles of sustainable development – balanced and harmonized economic growth with the environment policy, social and other policies.

The key development goal of the Republic of Serbia is dynamic economic growth, as the main material assumption of a faster increase in the living standard of citizens, reduction of unemployment and poverty. An efficient market economy, focused on the increase in welfare of all citizens, is possible only in the circumstances of full democratization of the society, which is based on the strong state and social institutions and rule of law.

The essence of the economic growth of the Republic of Serbia is to increase the overall competitive capacity of the Serbian economy. It requires decisive implementation of all transition and reform processes that may activate the country's development potentials – human, material and natural – and make the Republic of Serbia attractive for further development of the domestic private sector and larger foreign capital inflow. The basic task of the country is, therefore, to establish a sound market environment (completely build a market economy and systemic assumptions for its smooth functioning) and to manage, for the purpose of maintaining internal and external macroeconomic equilibrium (stability of prices and balance of payments), the main aggregates of the social product - investment and spending. (Only in such circumstances can the Republic of Serbia achieve the required average annual GDP growth rates. The key factors for achieving such growth rates include considerable increase and restructuring of export and increased inflow of direct investment from abroad),

An increase in export revenue is in turn, the first condition for external debt servicing and providing funds for financing equipment and technology import, which is also the condition for economic development in the following years. Attracting foreign direct investment is one of the main levers for the modernization of equipment and production processes. Direct foreign investments introduce, among other things, modern technology and management into the country and they provide export markets and activate processes that improve operations of local enterprises. Attracting a larger volume of foreign

¹⁰ The Government of the Republic of Serbia adopted the appropriate Information and Conclusion on the Financial Agreement for the first IPA Component for 2008 at the meeting held on 26 March 2009.

¹¹ According to the EC Report on the Progress of Serbia in the Process of the European Integrations, November 2008.

direct investments requires an open economy and sound market environment that will stimulate foreign investment and domestic savings and, eventually, help create a critical mass of small and medium-sized companies, which will take over labour from unprofitable enterprises.

High quality of institutional environment represents one of the necessary conditions for establishing competitiveness and sustainable economic development. Improvement of the state efficiency results from the principle of observing international conventions, principles of openness and transparency, responsibility, success and efficiency, ethics and fairness. The primary goal is to establish responsibilities of all institutions, in all areas, the quality of regulation that mostly depends on the judiciary and modernization of the administration as a factor of stimulating competitiveness.

For market economy and democracy development, efficient functioning of courts, judiciary and state administration is of vital importance. To that end, it is very important to ensure the implementation of the State Administration Reform Strategy for the Republic of Serbia, adopted by the Government in November 2004, with the main objectives of building a democratic state based on the rule of law, responsibility, visibility, cost-efficiency and effectiveness; and building state administration focused on the citizens, which is capable of offering citizens and the private sector high service quality at reasonable cost. The main principles of the Strategy include the principles of decentralization, depolitisation, professionalization, rationalization and modernization. Also, in mid-2006, at the proposal of the EU Integration Office and Ministry of State Administration and Local Self-government, the Government adopted the Action Plan for strengthening of institutional capacities for undertaking obligations in the process of European integrations, the aim of which was to provide a general overview of priorities and help coordinated and planned strengthening of the state administration capacities for undertaking obligations in connection with the process of accession and joining the EU. By adopting the National Programme for Integration of the Republic of Serbia into the European Union (NPI) in October 2008, the above-mentioned Action Plan was integrated into the NPI. In that respect, the third chapter of the NPI, titled "Ability to Assume Obligations Arising from EU Membership" contains, in each of its 35 subchapters, an overview of the current situation and legal framework, as well as a separate part covering existing institutional and administrative capacities with clearly defined short-term and mid-term priorities. Furthermore, the fourth chapter of the NPI, titled "Administrative and Judicial Capacities" contains two subchapters with an overview of state administration reform and judiciary reform. This gives a clear picture of the existing capacities, current and future activities undertaken in the field of state administration reform. Priorities for coordinated and planned strengthening of state administration capacities for undertaking obligations arising from the process of EU accession, defined in this document, are updated and incorporated into the NPI in an integral manner. One of the highest priorities in the democratization of society is the security sector reform, where there is a clear commitment that such reform must be performed in line with the internal democratic political changes and transition processes, changes in the international environment and reduced threats to the national security, as well as changes in the nature of threats. A particularly important segment of democracy and rule of law is certainly reform of the army. This reform must be conducted in accordance with the assumptions based on the Euro-Atlantic integrations. To that end, the strategy for national security, the strategy of defence, the military doctrine, and new law on conscientious objection and bylaws on security agencies remain to be yet adopted.

One of major problems almost all countries are faced with, particularly countries in the process of transition is certainly corruption¹². Despite the fact that certain progress has been made in this area, it is necessary to make additional efforts to legally regulate this problem and ensure the consistent and efficient implementation of the adopted laws. Amendments to the Law on Financing Political Parties and Law on the Anti-Corruption Agency were adopted in October 2008. Considering that the Agency has been assigned important competencies in the areas of conflict of interest and the financing of political parties, the Government of the Republic of Serbia is faced with a special challenge to guarantee a satisfactory level of independence, capacities and professionalism to the new Agency so that it may effectively fulfil its tasks. Similar applies to the State Audit Institution and Commission for the Protection of Bidders' Rights. Furthermore, the Action Plan for anti-corruption fight needs to be revised with more clearly defined deadlines, concrete activities and required resources for the implementation.

All above goals of the social development of the Republic of Serbia are focused on achieving the requirements defined in the process of accession to the EU, which include providing stable institutions that will guarantee democracy, rule of law, human rights as well as respect and protection of minority rights. The goals also include acceleration of reforms in the area of education and creation of legal assumptions for achieving regional development.

Concerning the changed global circumstances, due to which the financial crisis culminated in the leading world economies in September and October 2008, with spill-overs to the real sector and developing countries, it is evident that the Serbian economy will not be spared. In such circumstances, the selection of measures for mitigation of the effects of the crisis also takes the character of essential

¹² The Government adopted the Strategy and Action Plan for the fight against corruption.

strategic guidelines that will define the economic reality of Serbia in the medium term. In December 2008, the Government of the Republic of Serbia adopted the Framework of Measures, which are defined as partly restrictive and partly stimulating.¹³ The restrictiveness of the measures is reflected in the requirement to reduce spending in an organized manner in order to prevent such reduction by the market itself through inflation. At the same time, the measures have to be stimulating as well in order to avoid recession and achieve continuity in the GDP growth, even at a significantly lower level than in the previous years. The measures encompass all sectors of the economy and society, including: the State (in the broadest extent – direct budget users, enterprises and organizations that are majority owned by RS); the economy (real and financial sector – liquidity of economy, export, demand increase through implementation of infrastructure projects, fiscal load reduction, increase in securities trading, etc.); the population (aspects of savings increase, control of employment level and social allowances).

In the overall *public sector*, savings measures will be applied. The general rule in connection with public spending components is that savings must be made in the current segment, while incentive spending must be very carefully projected. For the most vulnerable strata of population, maintaining the standard from the previous period is foreseen as a minimal protection measure. It is also anticipated that subsidies (state aid) would be restrictive and their use under stricter control.

In the *economy*, incentives for small and medium enterprises and entrepreneurs shall remain, along with stronger control of the fund use. Special state guarantees are foreseen for the financial sector for the purpose of achieving incentives in the real sector and household savings, which should become the main domestic pillar of investment activities. Fostering foreign investment is planned through non-financial measures, primarily in the area of regulatory framework and through offering local incentives.

In the *household sector*, in addition to the measures in the above two sectors, the intention is to maintain the standard and allow passage through the crisis in such a manner that it is seen as a mild slowdown and not as a drop in the living standard and return to the years of poverty. By the end of 2009, interest tax on bank savings is to be abolished and the enterprises that have been granted incentive funds, shall be obliged not to reduce staff. Amendments to the Law on Social Protection should allow better identification of socially vulnerable categories.

It is interesting that Serbia achieved one of the rare positive balances in trade exchange with the countries in the region, i.e. CEFTA signatories. This signal is not insignificant, particularly considering that the participation in this regional initiative opens up prospects for the progress of Serbia by some relevant criteria: progress in the negotiations towards WTO membership; easier harmonization of economic regulations with the *acquis communautaire*; progress according to the criterion of regional cooperation with other countries of the Western Balkans, etc.

1.4. Goals in the use of International Assistance to the Republic of Serbia

The general goal is to increase effectiveness and efficiency of the international assistance funds, as contribution to achieving reform strategies and development priorities of Serbia. This goal will be achieved through ongoing joint efforts of the Serbian Government and donor community in the realization of the principles of the Paris Declaration on Aid Effectiveness, signed in Paris in March 2005 by the representatives of donors and partner countries, i.e. aid recipients.

During 2007 and 2008, an Aid Effectiveness Agenda was defined, with the following specific goals and activities:

Specific goals

1. ***Improvement of the planning process in line ministries and overall inter-sectoral planning and prioritization in connection with international assistance (Indicator 1 of the Paris Declaration)***

Introduction to activities: The planning process in line ministries has been improved over the past few years as a result of the participation of pilot ministries in the GOP Project "Towards More Efficient Implementation of Reforms"¹⁴. The prepared annual plans of activities serve as the basis for

¹³ The document of the Government of the Republic of Serbia: "The Economic Crisis and Its Impact on the Serbian Economy", Framework of Measures, December 2008. The anticipated measures are compatible with the projections and recommendations from the revised Budget Memorandum for the year 2009 (2010-2011).

¹⁴ The GOP Project "Towards More Efficient Implementation of Reforms" (established as a Joint Project), funded by the Norwegian Government, was initiated by the Ministry for International Economic Relations, Ministry of Finance, Ministry of Public Administration and Local Self-Government and EU Integration

planning and programming external and own financial resources and were used in 2006 as input for the preparation of the document "Needs of the Republic of Serbia for International Assistance in the Period 2007- 2009". The planned activities include the review of the document based on the planning process at the line ministries and the existing strategic framework; identification of priority projects for international assistance for the 2008- 2010 period; support to the line ministries in project identification and prioritization; participation in the GOP Project.

Indicators:

- All line ministries shall send their inputs for the document "Needs of the Republic of Serbia for International Assistance in the Period 2009-2011" to the Ministry of Finance within the specified deadline;
- The inputs of all the line ministries are qualitatively prepared in accordance with the instruction of the Ministry of Finance;
- 80% of the draft proposals of projects, entered into ISDAKON Information System in 2008 by line ministries, are derived from the document "Needs of the Republic of Serbia for International Assistance in the Period 2008-2010".

2. Better alignment of projects and programmes financed from international assistance with national priorities (Indicator 3 of the Paris Declaration)

Introduction to activities: In 2007, the "Needs of the Republic of Serbia for International Assistance in the Period 2007-2009" document was used as an instrument for alignment of donor funds and strategies with national priorities. The process of programming international assistance during pilot 2007 provided means for the identification of priority project draft proposals, entering data into the ISDAKON Information System, which is available to the donor community on the Internet, the organization of sector donor coordination meetings for presenting draft proposals of projects and priorities. The planned activities for 2008 include the presentation and promotion of the national priorities defined in the "Needs of the Republic of Serbia for International Assistance in the Period 2008-2010" document, the organisation of consultative meetings with the donor community and coordination with the national institutions and donors in identifying and formulating project proposals.

Indicators:

- 75% of donor funds were allocated to programmes/ projects registered in ISDAKON Information System as draft proposals of projects in 2008.
- 80% of donors (calculated on the basis of the number of donors) respond positively to the questions related to the use of the "Needs of the Republic of Serbia for International Assistance in the Period 2008-2010" document in the planning and programming of their funds.

3. The promotion of international cooperation and sectoral approaches for better alignment of donor activities with national priorities (Indicator 4 of the Paris Declaration)

Introduction to activities: Considering the particular importance and role of one donor – European Commission the (Instrument of Pre-Accession Assistance - IPA) and the restrictions in increasing budget support (which is mainly the goal of sector approaches), it is planned that the activities towards improved effectiveness of the assistance should be focused on better coordination and inter-ministerial cooperation through the realization of the first specific goal. As for the improvement of sector approaches, it is planned that the Ministry of Finance / Sector for Programming and Management of the EU Funds shall participate and support the initiatives of sectoral approaches at line ministries (SWAP-Sector- Wide Approach), with the aim of improving coordination in programming of own and external financing sources.

Indicators:

- Increase in the number and total value of projects resulting from inter-ministerial cooperation and coordination in 2008, as compared to the year 2007.

Office with the aim of improving the functions of planning, budgeting, monitoring and reporting at line ministries. One of the main activities is the improvement in planning capacities at the ministries by preparing comprehensive and realistic annual plans of activities and connecting them with the process of budget preparation and programming and use of international assistance funds.

4. Initiating the process of the introduction of the Decentralized Implementation System (DIS) for the management of the European Union funds in order to ensure the gradual channelling of the European Commission assistance through national systems for the management of public finance and public procurement (Indicators 5a and 5b of the Paris Declaration)

Introduction to activities: The Action Plan for the introduction of the DIS will be prepared and adopted by the Government of the Republic of Serbia in 2008, whereas preparations for the introduction of the DIS will start in accordance with the time schedule defined by the Action Plan.

Indicators:

- The Action Plan for the introduction of the DIS will be completed and adopted by the Government of the Republic of Serbia by the end of the first quarter of 2008;
- Activities for the introduction of the DIS, planned for 2008, are carried out in line with the Action Plan.

5. Improved level of external financing predictability, with the aim of providing support to line ministries in annual planning of activities and budget planning (Indicator 7 of the Paris Declaration)

Introduction to activities: The Instruction for Programming and Reporting on International Assistance in 2007, which were prepared and presented to the line ministries during the first quarter of 2007, contain an Annex on the Expected Donor Assistance in the Period 2007- 2009, including data on the volume of the planned assistance per donor and areas in which respective assistance is granted. The data was collected from the representatives of the donor community, with the aim of increasing the predictability of funds and improving planning and programming of external financing sources. The same activity will be carried out in 2008, the data on expected donor assistance in the following three-year period will be collected from donors and the Information for line ministries will be prepared.

Indicators:

- All donors submitted information on the expected new funds for the 2008- 2010 period in a timely manner;
- 80% of the expected new funds for 2008 were approved by the end of that year.

To monitor the realization of the previously mentioned goals, the Ministry of Finance started measuring the above-specified indicators and the report on the primary values for the base year of the observation is enclosed as an Annex to this document.

In the following three-year period, coordination and programming of international assistance will be in the function of achieving the goals mentioned above and in accordance with the main principles of the Paris Declaration:

- ownership of the partner country in the area of international assistance use
- alignment of donor activities with national priorities and systems
- harmonization of donor activities
- managing by results
- mutual accountability of donors and partner countries.

In that respect, a special emphasis is placed on the integration of the system for planning, implementation, monitoring and reporting on international assistance with appropriate national systems. Considering that significant progress has been made over the past period in the area of the improvement of the system for planning and programming of international assistance funds, the challenge for the next period will be to develop a system for monitoring the realization of the projects financed from international assistance and the introduction of the system for managing by results. In compliance with the need for providing efficacy in the work of state administration, as well as effectiveness and efficiency in spending own and external sources of finance and joint accountability for the achieved results, the introduction of the monitoring system, based on the principle of management by results, should be as consistent and coherent with the appropriate national system as possible and special donor requests and procedures should be harmonized in order to ensure efficient use of the single systems and procedures.

Bearing in mind the necessity of strengthening the capacities of the state administration bodies in the area of coordination, programming and use of international assistance, particularly concerning the use of EU funds, it is important to provide coordination of training activities at the state administration in the future period. Accordingly, we particularly highlight the importance of the role of the Human Resources Management Service (SUK), which prepares, implements and monitors the execution of annual training plans for state administration bodies. It is recommended to conduct activities for state administration improvement, to the extent possible, in coordination with the SUK, as well as to align and integrate individual plans for such activities into the annual plans prepared for the state administration by the SUK.

Since efficient planning of funds for co-financing programmes/projects funded from donations, particularly in connection with the utilization of EU funds, will gain importance in the years to come, it is essential to make necessary adjustments to the system for the preparation and execution of the budget, which would allow efficiency in the realization and adequate monitoring of the co-financing funds.

2. INTER-SECTORAL PRIORITIES FOR INTERNATIONAL ASSISTANCE

Mitigation of Negative Effects of the Global Economic Crisis on the Serbian Economy and Living Standard of its Citizens

Considering the current economic crisis and its consequences, one of key areas and inter-sectoral priorities for financing through international assistance in the 2009 – 2011 period will be **“Mitigation of negative effects of the global economic crisis on the Serbian economy and living standard of its citizens”**, i.e. international support in the implementation of the measures adopted by the Government in December 2008, which were defined in the document “Framework Programme of Measures for Mitigation of the Global Economic Crisis Effects on Serbia”. Although most measures within this priority are covered by other inter-sectoral priorities, having in mind that in the period analysed in this document the development of Serbia and living standard of its citizens will largely depend on successful implementation and effectiveness of the above-mentioned measures, and understanding the significance of providing international support to the Government measures, as well as urgency of granting such support, this set of measures is pointed out as a separate priority. Table 2 provides framework list of the above-mentioned measures, which are closely defined through the activities within other inter-sectoral priorities in this chapter, up to the project level in the third chapter of this document – “Overview of the situation, sectoral priorities and needs in the period 2009 – 2011 – by sectors”.

Table 2. Priority measures/activities for mitigating negative effects of the global economic crisis on the Serbian economy and living standard of its citizens

Area	Programmes (measures/activities)
Support to sustainability and development of the Serbian economy in the circumstances of the global economic crisis	<ul style="list-style-type: none"> • Increase in liquidity of the economy through granting credits to the companies (esp. small and medium companies) under favourable conditions and financing infrastructure development; • Support to the export-oriented economy – increase in export by providing working capital under favourable conditions for realization of export transactions, supporting product certification and tapping new markets that were to a lesser extent affected by the financial crisis; • Realization of priority infrastructure projects in the sectors of civil engineering, construction material manufacturing, metal and non-metal products; Corridor 10, Corridor 7, reconstruction and modernization of the infrastructure in public enterprises, construction of social housing, development of rural infrastructure; • Creating more favourable business environment for the increase in investment by improvement of legislation, utility infrastructure, introduction of tax incentives and benefits for investors and opening energy market for building new production capacities; • Giving priorities to the development and liquidity of the economy in the most underdeveloped municipalities of the Republic of Serbia.
Support to citizens for overcoming consequences of the economic crisis	<ul style="list-style-type: none"> • Support to the programmes and projects of occupational retraining and finding new jobs; • Capacity building of the National Employment Service for implementation of the programmes for occupational retraining and finding new jobs; • Better identification of socially vulnerable categories and increase in assistance to the most vulnerable; ▪ Providing special assistance and giving priorities to socially vulnerable categories of the population in the most underdeveloped municipalities of the Republic of Serbia.

2.1. Fostering Employment – Economic Development and Education for Employment Increase

In 1990s, the Republic of Serbia suffered from the real economic and social collapse and complete stagnation in the economic growth. GDP dramatically fell by about 50%, salaries, pensions and other income dropped significantly as result of the authoritarian regime politics, international isolation of the country and severe sanctions, disintegration of the market of former SFRY, wars in the neighbourhood and bombing of the Republic of Serbia in 1999. The economy was in very bad condition, companies lacked funds for maintenance of their capacities and there were no new investments at all. Due to the international isolation, the Serbian companies lost their export markets, which they could not restore even after the sanctions were abolished, because they were uncompetitive in comparison to the companies from other transition countries. Direct result of such situation was enormous increase in the number of unemployed persons in the total population. The situation was additionally aggravated by the influx of nearly 700,000 refugees and internally displaced persons from B&H, Croatia and Autonomous Province Kosovo and Metohija, which represents approximately 10% of the population of the Republic of Serbia.

Following the democratic changes in the Republic of Serbia in October 2000, citizens were faced with the long hidden truth about the gravity of the economic and social crisis in the more recent history. In such extremely unfavourable circumstances, the democratic government had to start intensive processes of legal, economic, financial and social reforms with clear intentions to catch up for the long delay in transition and establishing of the market economy and democratic political system. Many of those processes, primarily restructuring of the economy, closing of the companies with large and unrecoverable losses as well as adapting to the severe conditions of the international competition are rather complex and open new social problems, strengthening new forms and areas of poverty, because they inevitably lead to the growth of unemployment.

The achieved macroeconomic stability and more favourable microeconomic situation in the past years had positive effects on the labour market trends. Despite that, however, the general situation in the area of employment is still unfavourable. Unemployment is still one of major economic and social problems in the Republic of Serbia. The total number of unemployed persons in 2008 was 457,205, whereas unemployment rate, according to the Labour Market Survey¹⁵ amounted to 14.0% (15+), that is, 14.7 (persons of working age)¹⁶. The main problems in the area of employment are insufficient opening of new jobs, which results from insufficient economic activity and low employment.

Problem of unemployment was additionally increased during the period of transition, as shown in Table 2. Especially unfavourable indicator is that the unemployment rate in the Republic of Serbia constantly grew from 2001 to 2006 (from 2006 fall in unemployment rate is evident, but it is primarily explained by the fact that exercising the right to health insurance has been shifted from the National Employment Service (NSZ) to the Health Insurance Fund and the methodology has been changed). Unemployment rate is high when compared to the EU (average unemployment rate in EU 27 is 7.0%), as well as certain countries in the region, such as Croatia and Bulgaria (average unemployment rate 8.4 and 5.6% respectively). In addition, during the process of restructuring of economy, "hidden" unemployment becomes evident to a large extent and process of ownership transformation leads to faster dismissal of workers. The Republic of Serbia has not yet completed privatization process and restructuring of certain number of selected enterprises. According to the data of the Privatization Agency, in the 2005-2007 period, 953 social companies were privatized. In 2007, the Law Amending the Law on Privatisation was passed, providing for that by the end of 2008 public invitation should be announced for participation in the public tender and/or public auction for the remaining 200 social enterprises, which would result in termination of workers' employment in the entities undergoing privatization against which the process of enforced liquidation will be instituted. In broader sense, the process of enforced liquidation of the entities undergoing privatization shall in turn cause unemployment increase.

Despite high rates of the economic growth recorded in the Republic of Serbia in the past years, successful and fast solution of the unemployment problem is still not possible. Therefore, particularly now in the circumstance of the economic crisis, it is expected that in the future period unemployment will further grow and poverty rate will be maintained, with above average concentration in certain regions. According to the data from the Living Standard Measurement Survey in 2007, 6.6% of the population in Serbia were poor considering their average consumption per consumption unit was below the poverty line. The poverty line in 2007 was RSD 8,883 monthly per consumption unit. In that context, a great

¹⁵ There are two unemployment rates based on different sources – internationally comparable Labour Market Survey (ARS) conducted by the Statistical Office of the Republic of Serbia and according to the records of the National Employment Service (NSZ). As the data from the Labour Market Survey are internationally comparable, the data from this source are used throughout the text.

¹⁶ Category of persons aged 15-64 is internationally comparable.

challenge for the Republic of Serbia in the following period will be prevention of emergence of new poverty, resulting from further restructuring of the economy and global economic crisis.

One of the specifics of the employment in the Republic of Serbia is low participation of the private sector in the employment. In the 2005-2007 period, private sector was strengthened, thanks to the realized privatization of social enterprises, as well as foundation of 33,965 new private companies. However, most newly-established companies belong to the segment of the so-called micro companies, which employ up to five employees.

Table 3. Rate of unemployment in the period 2002-2008

	2002	2003	2004	2005	2006	2007	2008
Rate of unemployment National Employment Service, 15-64 (%)	27.09	27.83	26.22	26.8	27.9	26.83	23.99
Rate of unemployment Labour Market Survey, 15-64 (%)	14.47	16.0	19.53	21.83	21.56	18.8	14.7

Unemployment rate calculated on the basis of the data from the National Employment Service (23.99%) is considerably higher than the data obtained through the Labour Market Survey (14.7%). The reason for such discrepancy lies in different definitions of employment and unemployment, as well as the fact that the records of the National Employment Service (NZS) also includes persons not actively looking for jobs, but are only registered in the records to exercise other rights. On the other hand, according to the data of the Labour Market Survey (ARS)¹⁷, the persons working in the informal sector¹⁸ are also included as employed.

Analysis of the Serbian labour market conducted in 2008 shows that, besides the fact that high unemployment rate is beginning to fall, the labour market still maintains the same characteristics as in the previous period:

- Non-adjustment of supply and demand in the labour market, reflected in the fact that certain number of vacant jobs remain unfilled due to the lack of persons with qualifications required by the employers, whereas on the other hand, there is a large number of people with professions not demanded by the labour market;
- High participation of long-term unemployment (over one year) of 70.8% in total unemployment (2008.). Particular problem is the danger that these persons may become inactive in searching jobs and additional burden on the social funds. Furthermore, long-term unemployment leads to outdated of knowledge and skills;
- High influx of surplus of labour from companies under restructuring and privatization;
- Unfavourable age structure of unemployed persons;
- High participation of young people in the category of unemployed (age 15-24) - 25%, and/or high unemployment rate of the young in 2008 was 37.4%, which is far above average unemployment of this age group in the EU (15.5%), with possibility of potential migration abroad, especially by young highly educated people;
- Unfavourable qualification structure of unemployed persons: in total unemployment, qualified unemployed person account for 80.16 %, while people without school qualifications and with lower education background account for 19.84%¹⁹. (Among unemployed persons, people with secondary school education, accounting for 68.97% in the total unemployment, make the largest group;
- Female unemployment: participation of women in total unemployment is 51.5%, and/or unemployment rate of women is 16.5 % in relation to male unemployment rate, which is 12.1%. Furthermore, women are typically employed in low-income sectors;

¹⁷ It is considered that the data from the National Employment Service (NZS) overestimate real unemployment, since there are strong incentives for individuals working in the informal sector, who are not actually unemployed to check in the records of the National Employment Service (NZS): right to various social benefits, etc. On the other hand, it may be considered that the data from the Labour Market Survey underestimate unemployment, since persons working even only one hour per week are treated as employed. Probably it would be most accurate to consider these two unemployment measurements as lower and upper threshold of the actual unemployment in the Republic of Serbia.

¹⁸ Division to formal/ informal sector is used in this document in accordance with the National Employment Strategy.

¹⁹ Source: National Employment Action Plan of Employment (NEAP) 2009

- Big difference between regional labour markets;
- Large number of people engaged in the grey economy;
- Low labour mobility;
- Large number of unemployed persons belonging to the category of the persons with low employability (persons with invalidity, Roma, refugees and internally displaced persons, etc.)

According to the Poverty Reduction Strategy, the most vulnerable categories of the population are refugees and internally displaced persons (approx. 500,000 people), Roma (estimated about 108,000) and persons with invalidity (approximately 350,000 people). These three vulnerable categories make about one million people and their common characteristic is broadly spread unemployment and insufficient level of education. In the period until October 2000, little attention was paid to these underprivileged categories, partly because of financial problems, but also as a result of negligent attitude and denying these categories human rights, which caused these problems pile up over the time. Therefore, the third strategic direction of the Poverty Reduction Strategy implies efficient implementation of the existing and definition of new programmes, measures and activities to allow equal access to employment, education, health care and utility services for these population categories.

One of the causes of the problems in the labour market lies in the migrations of a large number of highly qualified persons abroad during 1990s, but still after 2000. In the period 1990-1994, besides a large number of highly educated professionals, 918 researchers from university, research and development institutions left the country and it is estimated that about 150,000 qualified and highly educated people emigrated in that period.

Participation of self-employed in the total number of employed is 23.5%, however, this percentage also includes farmers and persons hired in the grey economy, which means they do not enjoy paid social insurance contributions. Such unfavourable situation is caused by relatively low level of development of small and medium companies and high level of "grey" employment in such companies. In addition, in the Republic of Serbia, participation of flexible forms of employment of about 1% in the total employment is very low and flexible forms could be an important channel for employment of women and youth that are particularly underprivileged in the labour market. Lack of employment opportunities in the formal sector attracted a large number of individuals to the informal sector in order to ensure their existence. Based on the assessment of the Council of Europe, in the Republic of Serbia workers employed in the informal sector are faced with uncertainty, absence of pension and health insurance, whereas the state is deprived of the considerable portion of tax revenues.

As already mentioned, a great problem of the labour market also comes from structural non-adjustment in the labour market and non-adjustment of the education system with the needs of the economy. Completed formal education does not provide necessary knowledge for the newly-employed to get involved into the process of work immediately. It means that, on the one hand, huge funds are spent from the budget, and on the other hand, companies also allocate both funds and time for training programmes, additional education and inclusion of new employees into the working process, which makes labour force either less competitive or more expensive because of necessary additional qualification. This situation leads to the gap between the labour supply and demand in the market. Reasons for this situation should be primarily looked for in the insufficient alignment of the education system with the labour market needs, especially at the level of secondary school education and outdated knowledge caused by long-term unemployment. It is necessary to define and innovate education profiles to make them compatible with the changed needs of the economy and/or to acquire practical skills. Otherwise, persons finishing formal process of education²⁰ may potentially come into the situation that, due to the lack of required knowledge and skills, they have no opportunities for employment. In the process of education reform, it is necessary to ensure joint accountability and work of the social partners, primarily educational institutions, state, employers and associations of employers, non-governmental sector and other stakeholders. Efficient system of education and lifetime learning may give the largest contribution. In a broad sense, education should be characterized by bridging the gap and removing traditional boundaries between academic and vocational-technical knowledge, formal and informal education, vocational learning, training, etc. Furthermore, low and inadequate level of education is identified as one of major causes of poverty in the Republic of Serbia. Two main directions of actions should be increase in the employment opportunities through higher education of the population and increase in the efficiency of the education system and/or its alignment with the labour market needs.

Consequently, the above-mentioned leads to raising competitiveness of the economy as the basis for new employment and higher living standard of the citizens. Main factors of competitiveness in the global economic development are knowledge and, based on its use, innovativeness of products, processes and services. In addition to the reform of education and employment policy, it should be kept in mind that it is necessary to ensure ongoing support to the projects, which help aligning of the economy and development and research sector, and thus strengthening infrastructure that should allow such

²⁰ Informal education (state and private) includes training, coaching, seminars and courses.

connection (business incubators²¹, business technological parks, technical relay centres), as well as incentive measures for strengthening innovative base in the corporate sector. According to the recently conducted research, companies allocate 0.13% of the sales for research and development, which is mainly used for purchase of new equipment and training for the use of such new equipment. Development of new products, processes and services is negligible. It is necessary to help those projects that will provide support to the companies in technology transfer, activities towards development of new products, processes, services, organizational methods and structures, as well as development of instruments for horizontal and vertical connections of the companies with a view to strengthening capacities for increase in innovativeness and productivity (clusters).

In line with the targets defined in the National Employment Strategy for the period 2005-2010, National Employment Action Plan for the period 2006.-2008 and Memorandum on the Budget and Economic and Fiscal Policy for 2008, with projections for 2009 and 2010, it is necessary to increase the volume of funds and thus ensure higher coverage of the unemployed persons by the measures of active employment policy. However, due to the recent situation caused by the global economic crisis, the funds earmarked from the budget for active measures for 2009 amount to RSD 3 billion, the amount of which is by RSD 14 million lower than in the previous year, so that substantial changes in the labour market, even in case of maximum utilization and effects of these funds, may not be expected. Therefore, the first priority in the National Employment Action Plan is to maintain the 2008 employment level and regulate employment and legal status of the labour surplus. The National Employment Action Plan for 2009 anticipates to include, by active employment measures, 120,260 beneficiaries, as follows:

- By measure of active job search, which includes clubs and training courses for active looking for jobs, as well as job fairs, it is planned to cover 86,840 persons in 2009;
- By programmes of additional education and training, it is planned to cover 17,513 persons in 2009;
- By measure for entrepreneurship development and employment programmes, it is planned to cover 10,907 persons in 2009;
- Public works with the view to improving and maintaining employability of long-term unemployed and other underprivileged persons in the labour market through engagement in special projects, which will cover the target group of 5,000 persons in 2009. Moreover, projects will be realized at the local level and thus contribute to the welfare of the community in terms of maintaining and promoting environment and improving social and economic structure;

Funds allocated for active employment measures in the Republic of Serbia account for 0.1% of GDP (2007), which is ten times less than in the developed countries. Therefore, for the purpose of efficient implementation of the active employment measures, it is necessary to increase participation of international assistance in the following years. Direct measures, which will be instrumental to employment increase, will refer to tax incentives for employers, more favourable loans for development of small and medium companies and entrepreneurship, tax burden reduction on the basis of social allowance at the expense of employers. In 2005, the National Assembly adopted the new Labour Law.

Solution to the unemployment problem may be achieved only by creating new jobs, adjusting labour supply to the new, modern requirements of production and better quality of work. Increase in foreign direct investments will have particularly important impact on the employment increase. In the period until October 2000, the total value of foreign direct investments exceeded USD 7.6 billion, while the largest inflow was achieved in 2006 (approx. 50% of the total inflow). In the following years, thanks to the improved investment climate, higher inflow of Greenfield investments, which mostly generate new employment, is expected. In order to attract more investment of Diaspora, the Ministry of Diaspora was established, expected to motivate, inter alia, our citizens living and working abroad to invest money into the projects in the Republic of Serbia. Expected creation of the regional free trade zone of South Eastern Europe may also contribute to the employment growth, because it will stimulate trade and investment. It will be necessary to train a large number of people for work in the newly privatized economy and on new production and service jobs.

"Analysis of the effects of employment policy and active employment measures in the Republic of Serbia for the period 2003-2007" showed that the measures of additional education and training, primarily training for jobs, should be in the following period focused on the training and education of low qualified labour, as well as long-term unemployed persons..

²¹ Form of support to small and medium enterprises, which includes professional and financial assistance in foundation and development until companies are ready to participate independently in the market.

It should be stressed that for the solution of the unemployment problem it is necessary to ensure, first of all, coordination of education policy, but also coordination of social, tax, corporate, regional and other relevant policies.

Priority goals in this area in the next mid-term period are as follows:

- Strengthening of active employment measures;
- Strengthening of labour market institutions – in coordination of all relevant players and/or strengthening of social dialogue, it is necessary to continue reform of the employment service in order to ensure better quality of services to unemployed persons and employers;
- Reduction and prevention of long-term unemployment;
- Reduction in participation of the youth in the total unemployment;
- Increase in employment of the vulnerable categories of the population (invalids, Roma and refugees and internally displaced persons, returnees) through realization of special programmes designed for these groups;
- Shifting employment from informal towards formal economy, as well as increase in formal employment in the private sector;
- Greater participation of various forms of work (part-time work with shorter working hours, work for definite period, temporary jobs, work for more than one employer, etc) in the total employment;
- Overcoming the problem of gap between education and labour market needs;
- Improvement of education quality;
- Developing readiness of the youth for professional development, vocational training and further qualification (additional education and training) and harmonization of the level of degrees and qualifications with the international standards, as well as diversification of institutional forms and models, programmes and methods of work;
- Reform of teaching curricula and syllabi in providing functional literacy in the area of information technology
- Inclusion of vulnerable categories of the population and persons with special needs into the education system;
- Development of the education system based on lifetime learning philosophy.

In the realization of the above targets, strong international support is necessary. To that end, priority measures/activities, which should contribute to the realization of the mentioned goals in the medium term, are identified.

Table 4. Priority measures/activities for realization of medium-term goals in the area of fostering employment and unemployment rate reduction

Goals	Measures/activities
Implementation of active employment measures and fostering private sector development	<ul style="list-style-type: none"> • Regulation of employment and legal status of labour surplus, including providing severance pays, training and fostering self-employment; • Strengthening of local/regional structures for development of small and medium companies and entrepreneurship; • Development of industrial parks; • Foundation and support to the operations of business incubators; • Implementation of the National Strategy of Economic Development; • Provision of loans for development of economy (micro credits, credits channelled through the Development Fund), especially foundation of the fund for <i>start-up loans</i>; • Attraction of foreign investments (foundation of the fund for fostering foreign investment, removal of obstacles for foreign investment); • Incentive measures for enhancing competitiveness, productivity and export performance of companies; • Employment in public works; • Transformation of passive measures into active measures.
Strengthening of labour market institutions	<ul style="list-style-type: none"> • Strengthening of social dialogue; • Development of the information system in the area of employment; • Development of career and counselling centres for the unemployed persons; • Establishing and strengthening local employment councils; • Establishing a single system of registry in the area of labour and employment • Development of the system for monitoring and evaluation of the effects of the labour market active measures.

Goals	Measures/activities
Reduction and prevention of long-term unemployment	<ul style="list-style-type: none"> • Subsidies for employment of certain categories of unemployed persons up to the amount of taxes and contributions for mandatory social insurance payable by the employer; • Strengthening of the cooperation between NSZ and employers in order to determine the number and structure of vacant posts and inclusion of the long-term unemployed persons into the programme for active job search.
Increase in participation of the youth in the total employment	<ul style="list-style-type: none"> • Adoption and implementation of the Action Plan for employment of the youth for the period 2009-2011
Increase in employment of vulnerable categories of the population	<ul style="list-style-type: none"> • Implementation of the National Employment Action Plan for 2009, in which one of the priorities is employment of persons with low employability (women, persons with invalidity, Roma, refugees and internally displaced persons and returnees according to the Readmission Agreement); • Fostering employment of persons with invalidity through inclusion of these persons into active employment policy measures and strengthening of capacities of the entities supporting employment of these persons
Continuation of reforms of secondary and higher vocational education in order to overcome problems of the gap between the education and labour market needs	<ul style="list-style-type: none"> • Rationalization and regionalization of the network of secondary vocational schools; • Definition of the system of introducing new profiles; • Definition of the system of realization of practical work in secondary vocational schools. • Accreditation and certification
Reform of high education and implementation of the Bologna Declaration	<ul style="list-style-type: none"> • Establishment of the National Agency for European programmes in the area of education; • Implementation of the concrete programmes of the Agency • Development and improvement of the cooperation with the international educational institutions.
Improvement of the education quality	<ul style="list-style-type: none"> • Reforms and rationalization of teaching curricula and syllabi; • Setting quality standards in scientific and teaching areas; • Establishment of the department for evaluation of the system at all levels from primary to high education; • Technical modernization of infrastructure in education
Development of education system based on the concept of lifetime education and improvement of the system of adult education	<ul style="list-style-type: none"> • Stimulate employers to invest funds into enrichment of knowledge of existing employees; • Development of programmes of re-training, re-education and training, especially for redundant workers in the process of company restructuring. • Establishment of the inter-ministerial authority, assigned the role to propose measures and activities for improvement of adult education, prepare draft proposal of the law on adult education, harmonise and network strategic documents in the area of adult education with other sectors and promote agreed programmes and projects in the area of adult education; • Adoption of the law on adult education; • Establishment of the Council for vocational and adult education; establishment of the Agency for vocational and adult education.
Inclusion of the vulnerable categories of the population and/or ethnic minorities and persons with special needs into education system	<ul style="list-style-type: none"> • Realization of the projects and programmes for support of the process of Roma integration into the local community; • Realization of the specific seminars and courses for training of teachers for work with children with special needs; • Preparation of the necessary strategic documents and laws and by-laws in accordance with the international standards.
Stable functioning of the education system	<ul style="list-style-type: none"> • introduction and implementation of the new model of financing educational institutions; • development of the autonomous private sector in the schooling system

For realization of the above measures/activities, it is necessary to ensure cooperation and coordinated work of the Ministry of Economy and Regional Development, Ministry of Labour and Social Policy, Ministry of Finance, Ministry of Education, National Employment Service and other relevant institutions at the state and local level. The budget of the Republic of Serbia presently avails of the limited resources for realization of the above activities and therefore, international financial support will be vital for realization of this priority.

2.2. Building and Strengthening of Institutional Capacities

In the past period, considerable attention was attached to the building and strengthening of institutional capacities, given the connection between this issue and realisation of a large number of strategic goals of the Republic of Serbia, presented in national strategic documents and referring to the areas of economic development, establishing of the rule of law, social welfare increase and successful implementation of the process of European integrations. However, in spite of the significant efforts in this area, there is still much to be done.

Institutional capacities of the state administration are regulatory framework, and human and material resources. Importance of building and strengthening of the institutional capacities for the society development is more or less recognized in almost all national strategic documents. Nevertheless, the process of further building and strengthening of institutional capacities is most comprehensively defined in the National Programme for Integration of the Republic of Serbia into the European Union as well as in the Strategy of the Public Administration Reform.

National Programme for Integration of the Republic of Serbia into the European Union (NPI), presented in the second half of 2008, is one of the key strategic documents and serves for the preparation of the administration for new challenges and obligations in the process of accession of Serbia to the European Union. At the same time, those challenges and obligations stream from the Stabilisation and Accession Agreement. NPI is outlined in such a manner that it allows for planning, monitoring and coordination of all Government activities in the process of EU accession.

NPI defines development and strategic goals and, on the other hand, policies, reforms and measures required for realization of such goals. It also defines a detailed plan, timeframe and priorities for the adoption of legislation and assigns authorities responsible for their preparation. Realization of the goals specified in NPI should be completed in 2012 when Serbia is expected to be technically ready to undertake all liabilities arising from the EU membership.

One of six main chapters of NPI is exclusively covering administrative and judiciary capacities. The part of the document referring to the administrative capacities includes the overview of new regulations, policies and strategies for improvement of administrative capacities, as well as plans in the area of training and improvement of skills of civil servants and establishing of new institutions.²²

Identified key short-term priorities refer to putting further efforts towards implementation of the public administration reform (particularly referring to the issues concerning regulation of citizens' official record books and regulation of the legal status of non-governmental organisations (NGOs) and fostering development of civil society), as well as the necessity to provide transparent system of employment and professional development of the state administration staff (for the purpose of achieving professionalism and working responsibility). Identified mid-term priorities are: continuation of full implementation of the law on civil servants and public administration; strengthening of the capacities for policy development and coordination of administration activities at the local level, continuation of the process of decentralisation and provision of resources for local self-government bodies.

The first and most important goal in the process of public administration reform is certainly building of a democratic state based on the rule of law. In that context, the ultimate goal of the Strategy for Public **Administration Reform in the Republic of Serbia**, adopted by the Government in November 2004, is providing

²² By adopting the National Programme for the Integration of the Republic of Serbia into the European Union (NPI) in October 2008, the Action Plan for strengthening institutional capacities for undertaking obligations in the process of European integrations, adopted by the Government in 2006, is integrated into NPI. In that context, the third chapter of NPI, titled "Capacity for undertaking obligations entailed by the membership" contain in its all 35 subchapters, inter alia, the overview of the current situation and legal framework, as well as a separate part referring to the existing institutions and administrative capacities with clearly defined short-term and mid-term priorities. Furthermore, the fourth chapter of NPI titled "Administrative and judicial capacities" contains two subchapters with the overview of public administration reform and overview of judiciary reform. This gives a clear picture of the existing capacities, current and future activities undertaken in the area of public administration reform, taking into account standards and the best practice of the member states.

high quality services to the citizens and facilitation in fulfilling their legal obligations, while at the same time, contributing to the economic potentials in the Republic of Serbia.

According to the Strategy for Public Administration Reform, the central strategic body of the Government at the highest political level, which gives guidelines for the reforms and makes interim evaluations on the reform progress, is the Council for State Administration Reform, chaired by the Prime Minister and whose members are Deputy Prime Ministers, line ministers, Director of the Secretariat for Legislation and Director of Human Resources Management Service. At the operational level, the Ministry of Public Administration and Local Self-Government is in charge of the implementation and coordination of the public administration reform process. In November 2008, by the Decision of the Government, inter-ministerial project group for planning and implementation of the public administration reform was set up.

The Strategy is based on the five main principles of the reform: **decentralisation, depolitisation, professionalisation, rationalisation and modernisation** of the public administration. These principles may be characterised as the main directions of activities within the reform process so that their full observance may be considered the ultimate goal of the public administration reform, which basically means creation of the "European" public administration in Serbia.

The revised Action Plan for the implementation of the Strategy for Public Administration Reform was adopted in early July 2009. This Action Plan sets directions for further reforms and presents a result of intensive interaction of Ministries, Special Organizations and Government Services and independent state bodies. New Action Plan is structured in line with best practices of developed countries, so that beside the overview of the current state, expected effects, results and activities, it also encompasses the indicators that will facilitate monitoring of the expected results.

Action Plan is systematized against basic principles and key reform areas. i.e: decentralization, professionalization and depolitisation; rationalization; coordination of public policies; control mechanisms and e-government; and modernization of public administration.

Particular part of the Action Plan is dedicated to the technique of monitoring of the implementation and promotion of reforms in public administration. For the purposes of monitoring of the reform implementation, MPALSG is obliged to prepare periodical reports on progress of the implementation of reforms, as well as recommendations on measures and activities to be undertaken in order to improve implementation of the Strategy for PAR and of the respective Action Plan. Biannual review of the Action Plan is also envisaged, which will allow for the continuous adjustments of the reform processes to the emerging needs and the real state of play in the Republic of Serbia.

The Government has established Human Resources Management Service (HRMS), the director of which reports to the Government and Prime Minister. The Service is responsible for the activities in the area of management of public administration human resources and development of civil service system in general. Since 1 July 2006, when the Law on Civil Servants came into force, the Human Resources Management Service has taken over the responsibility assigned by that law. At the proposal of the Service, the Government shall every year adopt Human Resources Plan for ministries, special organisations, Government departments and professional services of administration districts, as the instrument provided for by the Law on Civil Servants, which is in the function of planning needs for human resources in a calendar year, from the aspect of the provided funds for salaries in the Republic budget. In accordance with the adopted Human Resources Plan, competitions for filling vacant posts shall be conducted and implemented, whereby any competition is possible only if such filling is in line with the existing human resources plan. Likewise, following the proposal of the HRMS, Government adopts annual Plan of professional training for civil servants.

According to the former prospective in the area of building and strengthening of the institutional capacities, referring to the previous period, numerous results have been achieved.

Regarding the legal framework in the previous period, almost all regulations, envisaged by the Action Plan for the Implementation of the Public Administration Reform Strategy for the period 2004-2008 were adopted: Law on Government, Law on Public Administration, Law on Public Agencies, Law on Civil Servants, Law on Salaries of Civil Servants and State Officials, Law on Electronic Signature, Law on the Ombudsman of Serbia, Law on Free Access to Information of Public Importance, Law on Prevention of Conflict of Interest in the Exercise of the Public Office, etc.

At the end of 2008, the Government adopted the Law Amending the Law on Civil Servants, by which the legal assumptions are created for discharge of civil servants from the public office if the competent authority accepts the public recommendation of the Ombudsman for his/her discharge; moreover, the deadline for implementation of the public competitions for appointment and discharge of the appointed persons whose posts become positions is extended. Also, at the end of 2008, the Government adopted the Decree Amending the Decree on Classification of Jobs and Criteria for Description of Jobs of Civil Servants in accordance with the Law on Civil Servants, for the purpose of adequate human resource management in the bodies and services subject to the Decree

The Law on Civil Servants also provides for the obligation of keeping Central Human Resources Registry (CKE) as the database, which should facilitate human resources management in the public

administration. Information system, developed through a donation in 2004, was upgraded, and now all public administration authorities and Government departments may access the system, deliver and update information on civil servants and state employees.

In March 2009, the Government adopted the Law on Official Record Books that will have positive effects on the transformation of the public administration and municipal and city administrations in Serbia into good providers of services to the citizens, which is the objective of the reform. This Law regulates establishing of the single and comprehensive electronic records on the respective activities of the official records, which will cover the data on the units of local self-government providing maintenance of the official record books, respective areas for which official record books are held, authorised persons for maintenance of official record books, passed special professional examination for the post of registrar as well as other necessary data for monitoring situation in the area and conducting inspection supervision. For that purpose, certain funds are earmarked from the National Investment Plan funds for the realization of the key activities related to the implementation of the Law.

In June 2009, Government adopted the Law on Associations harmonized with the highest European standards regulating the freedom of association. This Law sets in a comprehensive manner, the terms of establishing, status and functioning of associations in the Republic of Serbia, and for the first time, also regulates the status and functioning of foreign associations in Serbia. With the adoption of this Law, the freedom of association will reflect principles and standards outlined in the European Convention for the Protection of Human Rights and Fundamental Freedoms. Thus, Serbia will fulfil one of the obligations undertaken by obtaining membership at the Council of Europe, and simultaneously make an important step in the process of European Integrations.

As a contribution to strengthening capacities of the public administration, in early 2009 the Government adopted a new Decree on the Programme and Procedure of Taking State Professional Examination. This Decree defines conditions for taking state professional examination, examination subjects, manner and terms of taking state professional examination by employees in state and judiciary bodies, as well as employees in the agencies, companies, institutions and organisations that perform assigned state administration activities. The Decree introduces a new subject, which candidates will have to take in future, i.e. Basics of the European Union System. Within this subject, it will be necessary to acquire basic knowledge of the European Union system, starting from the characteristics and specific features of the European Union, its development and manner of functioning of the European Union institutions, structure and basic European Union law.

In the previous period, a large number of initiatives, directly or indirectly dealing with the issue of training of civil servants, was realised. Joint initiatives of various donors and state administration bodies, primarily initiatives of the Human Resources Management Service (preparation and implementation of the Programme of General Professional Development of Civil Servants), European Union Integration Office (training on the European Union integration process) and Ministry of Public Administration and Local Self-Government (strengthening of capacities in the public administration for change management, strengthening of capacities of managers in the state administration, etc) gave a significant contribution to this area.

Considering the complexity of the issue of building and strengthening institutional capacities, areas and directions for future actions are numerous.

In the legislative dimension of the public administration reform, in addition to the set of key laws and by-laws in the area of public administration system adopted by the end of 2005, it is also planned to adopt in the following period the Law on General Administrative Proceeding and Law on Administrative Disputes.

According to the principle of depolitisation, in the next period adequate implementation of the Law on Civil Servants will be continued. Implementation of the Code of Ethics for Civil Servants will also contribute to the depolitisation of the state administration, considering this Code prescribes the obligation of political neutrality in the work of civil servants. Evaluation of civil servants' performance, as one of the foundations of politically neutral and professional state administration has been conducted according to the special Decree since 1 January 2007. In order to raise capacity of the evaluators for objective and independent evaluation, the Human Resources Management Service carried out, based on the Handbook for Evaluation of Civil Servants, training of all human resources units that perform procedure of evaluation at the level of state administration bodies and Government departments

According to the Public Administration Reform Strategy, the principle of modernisation includes technical and technological modernisation of the operation of public administration bodies, with application of state-of-art information and communication technologies. For that purpose, unique databases shall be prepared and used and a unique system of communication between the state administration bodies shall be established in the entire territory, with introduction of the electronic business and electronic signature in the operation of the state administration bodies. Investing into modernisation requires considerable funds, but in return largely contributes to cost reduction in the operation of the public administration bodies.

Concerning the principle of rationalisation, the Ministry of Public Administration and Local Self-Government will focus in the forthcoming period on the development of standardised methodologies for implementation of the analysis of state administration operation in order to establish appropriate mechanism for improvement of the efficiency of the PA bodies operations.

One of Serbia's obligations in the process of the European integrations is establishing of the modern and professional public administration system. This requirement results from the fact that the public administration is

expected to bear a significant burden in the implementation of the reforms that are necessary for the EU membership. All countries which have undergone or are undergoing the process of the European integration, organised comprehensive and long-term training of civil servants, which was conducted in parallel with other activities within the public administration reform process and implied an ongoing professional development as the right and obligation of the public administration employees. In the future period, training on the EU will cover priority areas, stipulated within the implementation of the Stabilisation and Accession Agreement, primarily in the area of harmonisation and implementation of the new regulations and implementation of the National Programme for the Integration of the Republic of Serbia into the European Union, as a main strategic document defining the contents and pace of the EU integrations.²³

Professional development of civil servants is a key instrument of the modern public administration development. Principle of professionalization, as one of leading principles of public administration reform, implies creation of highly trained, responsible and efficient administration. Since the establishment of the Human Resources Management Service, three Annual Programmes of General Professional Development of Civil Servants have been adopted, according to which various training programmes were organised. Over two hundred courses are organised per year, which involve over 3,000 civil servants from the state administration, Government agencies and professional departments of administrative districts. Certain number of training courses is realised from the Service budget funds, whereas significant number of training is financially supported by different projects.

Efficiency of changes in the state administration depends on how much promoters of reforms, i.e. civil servants are professional, motivated and ready for changes. However, besides considerable efforts so far in this area, there has been no functional systemic solution to the question of professional development of civil servants, which would round up all hitherto results and indicate the further direction of the process of development of the system of training of civil servants (and ensure coordination of planning of future initiatives). Preparation of the Strategy of Professional Development of Civil Servants should be an important step in this process.

In the area of local self-government, implementation of the four laws, adopted at the end of 2007 - Law on Local Self-Government, Law on Territorial Organization, Law on Capital City and Law on Communal Police, shall be continued. In the short-term period, activities in the field of adoption and implementation of the law, which will regulate the issue of ownership of local self-government units, as well as the issue of status of employees in the local self-government units and issue of communal police, shall be continued. Furthermore, it is necessary to proceed with the implementation of all types of measures and activities referring to the strengthening of the capacities of the local self-government units.

An important area of actions in the future period will also be strengthening of "control mechanisms", which primarily refers to providing support to the institutions responsible for protection of citizens' rights and compliance of the operations of the state administration bodies (Protector of Citizens' Rights, Commissioner for Information of Public Importance and Personal Data Protection, Republic Committee for Resolving Conflict of Interest, etc.), as well as setting up institutions to deal with the issue of prevention of corruption.

Important instruments for implementation of the planned measures and activities towards building and strengthening institutional capacities are well prepared and realized projects.

In the previous period, Ministry of Public Administration and Local Self-Government, but also different state bodies, have implemented several reform projects, with financial assistance of donors. Realisation and preparation of several projects, referring to the area of public administration reform, is under way. Main areas of activities of these projects include inter-ministerial coordination in the process of the public administration reform implementation, improvement of the public administration bodies' operations, approximation of the public administration reform process to the professional and broader public, development of specific mechanisms and instruments for easier monitoring of the situation and further implementation of reform activities, preparation of appropriate strategic documents in the area of education and strengthening of capacities of civil servants and employees in the local self-government units, as well as implementation of the appropriate training programmes. In particular, with the assistance of the projects that supported the operations of the Human Resources Management Service in the previous period, efforts were made towards acquiring new modern methods and techniques of candidate selection, and, as a result, "The Handbook for Determination of Competencies for Effective Performance at Workplace" was prepared. Furthermore, training of future members of the competition committees was organised, which altogether contributes to higher objectivity and reliability of selection of the quality human resources for the needs of the public administration bodies.

²³ NPI is a multi-year document, defining, inter alia, development and strategic targets, policies and measures, necessary for realisation of such targets. In addition, NPI defines a detailed plan, time framework, legal priorities and authorities responsible for their preparation and implementation. It should be stressed that the process of harmonisation does not end by adoption of local regulations, the solutions of which are in the formal sense or normative meaning adequately harmonised with the EU regulations, but it is necessary to provide conditions and institutional capacities for their implementation or enforcement before the court of administrative authorities. To speed up the process of harmonisation, it is necessary to proceed with the initiated systemic work on translation of the EU Acquis Communautaire, improve the mechanisms for harmonisation and ensure continuous support to the implementation of the laws (strengthening of certain institutions, training of employees, etc.).

Summing up the above-described experiences so far and planned directions of activities, the targets in the area of building and strengthening institutional capacities would be the following:

- Continuation of the process of legislative reform through further harmonisation of the legislation with the EU Law in accordance with the National Plan for Integration of the Republic of Serbia into the EU;
- Continuation of the process of public administration reform with observance of the principles defined in the Public Administration Reform Strategy and institutional strengthening of the public administration bodies, which implies realisation of the revised Action Plan for the implementation of the public administration reform 2009-2012, with improved mechanisms of coordination, monitoring and evaluation of adopted laws and other strategic documents;
- Strengthening of the institutional capacities in all ministries, administrations and special organisations, which make the public administration system, as well as local self-government bodies and judiciary institutions.

In realisation of the priorities of building and strengthening institutional capacities, international assistance is of vital importance. International support is expected in the form of grant assistance, while modalities of assistance provision may be in the form of technical assistance, "twinning" projects, study trips, workshops, seminars, etc. According to the above goals, the following activities and measures are identified and shown in the Table²⁴ below.

Table5. Priority measures /activities for realisation of mid-term goals in the area of building and strengthening of institutional capacities

Goals	Programmes (measures/activities)
Legislative reform	<ul style="list-style-type: none"> • Preparation and adoption of new reform laws and harmonisation of existing laws with the EU regulations; • Strengthening of capacities for performing regulator impact assessment (RIA).
State administration reform and institutional strengthening of self-government bodies	<ul style="list-style-type: none"> • Support to the development and establishing of the mechanisms for coordination, monitoring and evaluation of implementation of the State Administration Reform Strategy; • Support to the future review of the Action Plan and State Administration Reform Strategy according to the current needs and priorities; • Development of mechanisms for inter-ministerial coordination in the process of planning and provision of support for its introduction; • Support to the improvement of efficiency and effectiveness of state administration bodies through analyses of their operations; • Improvement of the organisational efficacy of state administration operations by further application of information technologies (also support to the implementation of the Information Society Development Strategy); • Achieving full functionality and utilisation of the Central Human Resources Registry, as information database on civil servants; • Support to the introduction of the new functions and working processes in the state administration bodies (European integrations, planning, project management, etc.); • Informing public on relevant activities within the process of state administration reform; • Support to the improvement of the process of training of state administration employees in accordance with relevant strategic documents (Strategy for Training of Civil Servants, etc), including improvement of methodologies for assessment of needs for professional development, manner of evaluation of professional development programmes and hiring instructors; • Support to the improvement of the process of employment in the state administration and system for civil servants' career development, including development of new methods and techniques in the process of selection of human resources and improvement of the selection process; • Support to the development and further improvement of "control" mechanisms.
Institutional strengthening of local self-government	<ul style="list-style-type: none"> • Strengthening of capacities of employees in local self-government units through implementation of appropriate training defined in the relevant strategic documents (Strategy for Training of Employees in Local Self-Government and others) and regulations; • Support to the improvement of administration functioning in local self-government units (improvement of organisational structure, process of work planning, activities related to provision of services to citizens, etc) • Improvement of human resources management in local self-government units;

²⁴ Priorities in the area of institutional strengthening in specific sectors are given in the third chapter of the document, within the overview of priority programmes of activities by sectors, whereas general (horizontal) goals/measures, the realisation of which is related to several ministries/institutions, as well as building and strengthening of independent Government institutions are stated in this part.

Goals	Programmes (measures/activities)
	<ul style="list-style-type: none"> • Modernisation of work of municipal administration through broader introduction of information and communication technologies; • Creating conditions for intensified inter-municipal cooperation; • Providing support to the municipalities in the process of preparation and implementation of development projects for financing from different finance sources (NIP, IPA, loans, etc.); • Improvement of institutional and regulatory framework for providing services in the area of municipal infrastructure;
Institutional strengthening in the area of judiciary	<ul style="list-style-type: none"> • Support to the implementation of the Judiciary Reform Strategy; • Support to the independent judiciary (support to the work of High Judicial Council); • Support to the strengthening of judiciary system transparency (higher participation of the public); • Increase in efficiency of court case file management (introduction of new systems of organisation, automatisisation of certain systems and sub-systems, support to the Mediation Centre operations); • Standardisation of system of training and professional development (foundation of the National Institute for Judicial Training, strengthening of cooperation with the Law School); • Modernisation of judicial and punitive jurisdiction system equipment;

2.3. Construction, Reconstruction and Modernisation of Infrastructure

As an identified cross-sectoral priority for international assistance (including loans granted under more favourable conditions than those prevailing in the market) - infrastructure construction, reconstruction and modernisation includes local infrastructure development and development of transport and energy infrastructure of importance for regional and international networking. Infrastructure development is an important contributor and impetus to the overall economic growth. Provision of quality services at competitive prices can generate significant GDP growth in these sectors, with additional effects on overall economic growth and social development. This chapter is primarily focused on the analysis of the current situation and priorities in the area of physical infrastructure, whereas institutional and legislative reforms and priorities are analysed in the third chapter, i.e. sectoral analysis and chapter 2.2 (Institutional Capacity Building) and [priority environment related projects in the transport and energy sectors are covered in chapters 3.6, 3.11. and 3.13.](#)

Transport. Restructuring of the overall transport services into a modern, safe and functional system represents one of the most important preconditions for boosting regional development and using comparative advantages of local communities through links between tourism and agriculture areas with large business centres. Adequate transport infrastructure is an important factor of the overall transport system efficiency, but also a key precondition for achieving sustainable economic and social development of the Republic of Serbia.

The Republic of Serbia, with its natural and geographical position at the intersection of transport corridors VII and X, is the shortest and most efficient transit link between Central and Western European countries on the one hand with Southern European countries and countries of Near and Far East. In the adopted final report of the High Level Group²⁵, formed under the auspices of the European Commission, five major multimodal axes as extensions of the Trans-European transport network (TEH-T) towards neighbouring countries and regions were identified. Project proposals on Corridor X (road and railway), Corridor VII and multimodal platform of Belgrade metropolis are incorporated into the Southeast multimodal axis. In addition, on the basis of REBIS Study (Regional Balkans Infrastructure Study – 2003), Western Balkans countries signed in Luxembourg on 11 June 2004 Memorandum of Understanding on Development of the South East Europe Core Regional Transport Network, with the aim to develop infrastructure and improve policies in the field of transport. It anticipates close cooperation between the participants in the process of harmonisation of the procedures and technical standards, regulatory and administrative provisions referring to the transport, in accordance with the standards and guidelines of the European Union. For the purpose of the implementation of the Memorandum of Understanding, South East Europe Transport Observatory (SEETO) was established, with permanent Secretariat in Belgrade. In April 2006, the first multi-year Development Plan of the South East Europe Core Regional Transport Network was adopted, providing for long-term investment needs of the Western Balkans countries for the period 2006-2010.

²⁵ Report from the High Level Group chaired by Loyola de Palacio, *Networks for peace and development – Extension of the major trans-European transport axes to the neighbouring countries and regions*, November 2005

Transport infrastructure in the Republic of Serbia is generally at the unsatisfactory level, which is primarily result of the insufficient investment into the basic maintenance and procurement of new assets during the 1990s, poor organisation, shortage of funds, social and human resources policy. Railway infrastructure is in particularly poor condition, lagging behind the standards of the European countries in terms of network electrification, length of two-track railroads and maximum permissible speed and axle load and is, therefore, in need of modernisation²⁶. Furthermore, rolling stock is characterized by high technological obsolescence (the average age of rolling stock exceeds 30 years), unsatisfactory condition and insufficient number, with high immobilisation level. In the field of inland waterway transport, the difficulties are mostly due to inadequate maintenance of inland waterways during the 1990s and the NATO air strikes. In the field of road transport, the largest problems include poor maintenance and need to reconstruct the existing road infrastructure and build a new one, as well as a low level of traffic safety. Development of multimodal transport in Serbia is in its early stage: there are no fully developed interpositional transport terminals and container handling is performed only at the terminal of the Railway Transport Company "ZIT Beograd" ("daughter company" of the public company "Železnice Srbije" (Serbian Railways) and at the Port of Belgrade.

Building on the European Transport Policy until 2010²⁷, as well as the Strategy for Development of Railway, Road, Inland Waterway, Air and Intermodal Transport in the Republic of Serbia in the period 2008 - 2015 (adopted on 27 December 2007), the Government plans to continue, construction of the road and railway infrastructure in Republic of Serbia with the financial support of the EU, and to create necessary conditions for normal inland waterway navigation, especially on the Danube and Sava river. For that purpose, study, project and tendering documentation will be prepared for a number of transport network modernisation projects in the Republic of Serbia, including cleaning and removal of bottlenecks on Pan-European Corridor VII as the major inland waterway, and increase capacities of the Railway Corridor X and Road Corridor X.

Inland waterways network represents one of our largest socio-economic potentials in the Republic of Serbia, which have not so far been adequately utilized. A revival of inland waterway transport will deepen cooperation in other branches (trade, tourism, environment protection etc.) and would be a key element of social and economic development, not only of Serbia, but of all other Southeast European countries as well. If the river Sava were linked with the main inland waterway on the Danube, and through it with the European inland waterway network, and if sailing could be made safe and smooth on all our rivers, this would facilitate future regional cooperation and boost economic growth. The formation of a modern river information service will intensify the exchange of geographic data and foster closer cooperation between states in the management of inland waterways on the Danube.

Understanding the importance of railway Corridor X, the Republic of Serbia, in cooperation with international financial institutions, invested more than 200 million euros in the recovery of railway infrastructure on this Corridor, resulting in a 60% increase in the volume of transported goods compared with the period before the investment. The investments made so far cover only a small portion of the real needs; according to the estimations, some 3.9 billion euros will be needed for railway network rehabilitation and maintenance in the next ten years. The current condition of railway infrastructure is such that it requires that some 1.000 kilometres of major routes be restored to the original condition and modernized, which will require support from the EC and international financial institutions.

Construction of the highway Belgrade- South Adriatic and reconstruction of the railway line Belgrade – Bar are the projects of high regional importance. Pursuant to the new Railway Law, after reorganisation of the railway transport, the infrastructure will remain state-owned, whereas traffic organisation and management will be open to embrace competition. It is also planned to prepare Feasibility Study for construction of Highway between the town of Pancevo in Serbia and Timisoara in Romania.

The Strategy for Development of Railway, Road, Inland Waterway, Air and Intermodal Transport in the Republic of Serbia in the Period 2008-2015 (adopted on 27 December 2007) is based on the concept of sustainable development (in terms of environment protection, technology, financing and operability) and multimodal approach, which implies integrated transport system development planning and more efficient use of the advantages of this form of transport. The Government intends to intensify the restructuring of public enterprises in the following period – JAT Airways, Belgrade Airport, "PTT Srbija" (national postal service) and "Železnice Srbije", where the pre-privatization phase has been completed. Given the high social and other costs of restructuring, international assistance will have significant effects in this segment.

In addition to large investment in transport infrastructure development, it is necessary to make major improvements in traffic management in the existing network through the introduction of intelligent

²⁶ Only 32.7% of the network has been electrified and, due to the poor technical condition of the railway lines, speed limit of 20-40 km/h is introduced on the railways in the length of 162 km, which is over 4% of the total railway length.

²⁷ White Paper - "European transport policy for 2010 : **time to decide**" (COM 370/2001)

Transport Systems (ITS). The introduction and use of information and communication technologies in transport would to the great extent contribute to higher efficiency, lower environment pollution and higher traffic safety.

Energy. The National Assembly adopted the Energy Law in 2004 and in 2005 adopted the Energy Sector Development Strategy in the Republic of Serbia up to 2015, while in January 2007 the Government of the Republic of Serbia adopted the Decree Establishing Programme for Implementation of Serbian Energy Sector Development Strategy for 2007-2012. Energy Sector Development Strategy globally defines the targets and priorities of the Serbian energy sector development in accordance with the energy policy, whereas the Programme for realization of the Strategy determines the conditions, means and dynamics for implementing the Energy Sector Development Strategy for all energy sectors.

According to the Programme for Implementation of Serbian Energy Sector Development Strategy, it is necessary to ensure institutional capacity strengthening in implementation of the energy policy, as well as more active participation of the local self-government.

The Energy Law creates an institutional framework for the energy area, according to which an independent body is established for the energy sector, i.e. Energy Agency (regulatory body responsible for promoting and directing energy market development, monitoring the implementation of regulations and energy systems operation codes, etc). The Energy Agency creating regulatory framework for the operation of the energy systems; has adopted tariff systems by which for the regulated part of the market justified costs of energy entities are included in the price of products and services and ensure supervision over transparent and non-discriminatory access to the system by third party, etc.

In the field of public enterprises restructuring, the most important activity in the restructuring of the Public Enterprise "Electric Power Industry of Serbia" (JP EPS) is adoption of the Government Decision on establishing two legally independent energy operators, which started operations as of 1 July 2005: Public Enterprise "Elektromreža Srbije" (JP EMS), in charge of electricity transmission and transmission system management (Serbian transmission system and market operator) and Public Enterprise "Electric Power Industry of Serbia" (JP EPS), responsible for electricity generation and distribution, distribution system management and electricity trading. As part of efforts to downsize and reconstruct JP EPS, underground coal mining was separated from the core business activity in and, by the end of 2005, all ancillary non-energy activities were spun off into separate companies, so that JP EPS today operates only in the field of electric power.

Furthermore, in August 2005, the Law on Termination of of the Law on Establishment of Public Enterprise for Oil and Natural Gas Research, Production, Processing and Trade was adopted, and following Government decisions came into force: Decision on establishment of public enterprise for oil pipelines transport and product-pipes transport of oil derivatives, Decision on establishment of public enterprise for transport, storage, distribution and trade of natural gas and Decision on establishment of joint stock company for research, generation, processing, distribution and trade of oil and oil derivatives and research of natural gas.

Formed as a Government body, there is also Energy Efficiency Agency (provides expert services aimed at improving the conditions and measures for rational use and saving of energy and energy sources, as well as for higher energy efficiency in all consumption sectors).

In the process of stabilisation and association to EU, the Government is carrying out intensive regulatory, organizational and technical preparations for the country's inclusion in regional and European energy networks. The Republic of Serbia is a party to the Energy Community Treaty, the purpose of which is to create a regional electricity and gas market. Implementation of this Treaty requires close coordination between a number of institutions, particularly in the fields of energy, renewable energy sources, environment protection, competition and market development, as well as considerable financial resources to fulfil the commitments. It is the first formal agreement binding under international law which Serbia signed with the European Community and the countries of the region (Albania, Bulgaria, Croatia, FYR Macedonia, Bosnia and Herzegovina, Romania, Montenegro and UN Interim Mission in Kosovo and Metohia under UN Security Council Resolution 1244). The Treaty came into force on 1 July 2006 and the National Assembly of Serbia enacted on 14 July 2006, the Law on Ratification of the Energy Community Treaty, thereby accepting that legal instrument as an international obligation of our country.

The creation of an integrated regional electricity and gas market in accordance with this Treaty is based, *inter alia*, on the following objectives: development of a stable regulatory and market framework capable of attracting investment in gas pipelines, electricity generation capacities and electricity transmission and distribution, so as to enable all signatory countries to have access to stable and continual energy supply, which is vital for economic development and social stability; improvement of the environmental situation as regards electricity and gas; energy efficiency; and support for the use of renewable energy sources. The Treaty provides for the implementation of *acquis communautaire* in the fields of energy, environment protection, renewable energy sources and competition, with a defined timetable for their implementation. In this context, it is necessary to ensure considerable financial resources for the required investments, both in improvement of existing capacities and compliance with environment protection regulations and in improvement and building of new interconnectivity capacities

as the major technical assumption for the establishment of an integrated energy market.

Energy Community Treaty, will in addition to electricity, gas and renewable sources also include oil sector, as decided in December 2008. Implementation and the deadline for incorporation of the relevant European legislation, which will provide framework for the development of the regional oil infrastructure, forming oil reserves, etc. will be defined in 2010.

Activities aimed at improving the regulatory and market framework for investment attraction in the energy sector, with the specific goal of promoting the use of renewable energy sources and compliance with European environmental norms, as well as activities aimed at achieving higher energy efficiency, are covered in the third section, under "Mining and Energy". Here we will identify prioritized infrastructure projects for the following period, with regional/international relevance:

- Construction of a pan-European oil pipeline and a system for pipeline transport of oil products
- Construction of a high-pressure gas pipeline in different directions
- Improvement of the electric power transmission system -construction, expansion or reconstruction of transformer stations, as well as construction of new power lines.

A National Action Plan on Gasification of Serbia has been adopted and it contains an overview of key technical and economic data about the indented gas network development in Serbia, as well as a plan of legislative activities in the field of gas supply. This document gives an estimation of investment needs for transport and distribution networks by municipalities.

In addition to modernization and revitalization of existing transmission capacities, development of the electricity transmission network must keep pace with the growing demand for electricity in Serbia. By 2012, total annual average electricity consumption is expected to grow at an average of about 1.8% and peak power is expected to increase at 1%, although latest consumption reports seem to exceed these forecasts. The forecast is largely dependent on Serbia's economic growth and is based on relatively stable growth of about 7% in industry and services sector; on the other hand, energy cost adjustments and energy efficiency measures are expected to result in lower growth of household consumption, but its scale will not be sufficient to significantly slow down consumption increase.

Analyses indicate an apparent insufficiency of available generation capacities for covering electricity consumption in Serbia, so that, unless new capacities are built, the country will have to import electricity, which in turn will require that the power transmission develops towards better integration with other countries of the region. Coordination of activities with UCTE (Union for the Coordination of Transmission of Electricity) would undoubtedly be beneficial because it will open up new opportunities for electricity exchange and curb risks involved in securing the lacking quantities of electricity from the region and from wider Europe. Improved interconnectivity with neighbouring system operators is imperative in order to create, develop and participate in the Southeast Europe Regional Electricity market, which is set up under the Energy Community Agreement, as well as to participate in the future Pan-European Electricity Market. Serbia's electric power system is central in the region and there is an interest in placing certain regional functions in Belgrade (the function of interconnective electric power system coordinator, as well as certain calculation and regional market regulation functions). Participation in the regional market implies that the transmission network operators is organized as an enterprise in accordance with EU Directives, guidelines and norms and this was done in 2005, in accordance with the Energy Law.

It also requires introduction of all functions of the technical system of management of electric power system and facilities and preparation of those functions for use. So far, functions of SCADA/AGC have been implemented; in the sphere of dispatcher management, it is important in particular to complete all real-time management functions (SCADA, AGC, status appraiser, , network analysis) and integrate them in a single and coherent whole, i.e. to implement the management system with all of its functionalities.

The telecommunications system is one of the fastest growing fields. Construction of modern telecommunications system would not only meet the technical requirements, but also enable the provision of services to other users, thereby generating additional revenues. Key directions for development in the sphere of telecommunications include creation of a telecommunications transfer network, a telephone network and a mobile radio connection network, in which the telecommunications transfer network, based on optical transfer and partly on radio relay connections, would serve as the basis of the telecommunications system.

Analyses of the current level of development of electric power network are based on the specified requirements relating to increasing consumption in the country's electric power system and the conditions for integration and delivery of expected performance in the regional energy market. Another consideration taken into account was the fact that the region is likely to reduce its generation output in the following years (shutting down of older blocks in the nuclear power plant "Kozlodui" in Bulgaria and of non-economical power plants in Romania, with uncertain construction of new capacities). Serbia expects

investment in generation capacities powered by domestic lignite, compliant with environmental requirements and efficiency targets, as well as capacities powered by other energy sources. New capacities are expected in the Autonomous Province of Kosovo and Metohia, but their exploitation is still linked to a high political risk (all analyses point to the conclusion that the electric power system of Serbia does not have sufficient capacities for evacuating the expected 2100 MW from new power plants in the Autonomous Province of Kosovo and Metohia and the necessary expansion of transmission capacities can be achieved only through a detailed study of the ways in which these power plants would fit in). Accordingly, it is assumed that electric power deficit in the region would be largely covered from electricity generated in Ukraine. According to the Program of Implementation of the Serbian Energy Sector Development Strategy, the bulk of investment in power transmission over the following 10 years will be earmarked for reconstruction of existing facilities and enhancement of their voltage levels, including through new interconnections, but significant investments will also be made in the field of information technologies and in other fields:

Table 6. Investment and development plan by areas and priorities (2009 – 2012)²⁸

Summary table Electric power transmission system Investment and development plan (in million €)					
Fields of capital investment:	Prior. 0	Prior. I	Prior. I/II	Prior. II	Total
I. Transmission network	129,00	88,23	153,77	68,82	440,12
II. IT and Telecommunications	0,00	14,52	4,19	0,00	18,71
III. Other	2,90	0,00	0,00	0,00	2,90
Total	132,20	102,75	157,96	68,82	461,73

In the course of 2008, the Government of the Republic of Serbia adopted the Strategy for Sustainable Development where in important place is given to the mining and energy sectors. In order to achieve the Strategy goals, Action Plan for Implementation of the Strategy for Sustainable Development, contains closely defined priority programmes with financing sources, for the period 2009 – 2011. Tables 2 and 3 show brief overview of the required investment in the area of environmental protection in the energy sector, provided in the Action Plan for Implementation of the Strategy for Sustainable Development:

Table 7. Projects in the area of environment protection – JP EPS

JP EPS	START/END OF IMPLEMENTATION	ESTIMATED FUNDS (€)
Reconstruction or replacement of existing electrical filters on EPS thermal power plants with installation of continuous flow measurement recorder and quality of flue gases (GVE 50 mg/m ³)	2009/2012	49.000.000
Implementation of primary measures for reduction of NOx (GVE 200 mg/m ³)	2010/2015	60.000.000
Construction of desulphurisation plants (GVE 200/400 mg/m ³)	2009/2015	525.000.000
Introduction of new technology of transport and disposal of ashes and slag to the landfill	2008/2015	117.000.000
Water's Protection	2007/2012	6.543.050
Waste*	2008/2012	8.000.000
TOTAL JP EPS		765.543.050

*investment in the waste sector is reviewed without solving problem of ash and slag landfills, and gypsum landfill.

Table 8. Projects in the group of priority projects – environment and natural resources - NIS a.d.

NIS A.D.	TOTAL 2009-2010 (€)	INVESTMENT PLAN IN 2009 (€)	INVESTMENT PLAN IN 2010 (€)
Air protection	51.319.670	41.932.583	9.387.088
Water protection	14.243.887	10.567.592	3.676.295

²⁸ 0-II – represent marks of the investment priority level

Soil protection	7.539.491	4.209.804	3.329.688
Waste management	6.209.375	4.124.688	2.084.688
TOTAL NIS a.d.	79.312.000	60.834.000	18.478.000

Communal and local infrastructure. Unfavourable sociological, social and economic conditions, which prevailed in the 1990s, affected the conditions of the communal and local energy infrastructure and systems. Underinvestment into construction of new and poor maintenance of the existing facilities and systems resulted in many facilities losing their projected performances, thereby providing lower service quality. Inadequacy of remote heating system and quality of the provided service significantly affects the stability of the country's electric power system, especially in the winter months and therefore, to increase the number of heating services users, special attention should be paid to the modernisation and rehabilitation of the existing infrastructure and construction of new capacities. Economic and financial analysis of this sector particularly highlights the following three issues:

- The tariff system problem. Disparity of prices of communal services In certain towns/municipalities, heating service price is still subsidised; It is necessary to change the tariff system and introduce heating service billing per spent energy
- Ownership structure of communal systems is exceptionally non-rational in economic terms; there are many small communal companies incapable to efficiently operate, which results in very poor service quality;
- Financial situation of communal systems is highly unfavourable – large number operating at loss and their investment capacity is minimal.

For improvement of communal and local infrastructure, and enhancement of quality of service rendered, it is of vital importance to ensure that public utility companies are market cost-oriented, independent and efficient.

In the following period, it is necessary to implement activities focused on creation of legislative and institutional framework necessary for implementation of reforms in water management sector and for initiation of an investment cycle. Enactment of the Law on Waters and appropriate implementing secondary legislation is a priority task for the Government. This Law will ensure compliance with EU directives and lay foundation for the introduction of regulatory function, for public involvement and introduction of economic instruments.

In the Republic of Serbia there are in total 55 public enterprises with heating energy generation and supply as their core business activity. Total installed heating power in boiler units is 6600 MW, which makes heating plants an important segment in the country's energy system.

The present condition of the system can best be seen from the age of facilities: on average, boilers are 29 years old, distribution networks are 21.6 years old and substations are 21.5 years old. Because of aging infrastructure, a revitalization of the distance heating system will be necessary, but it will have to include modern technical solutions which will enable reliable operations and positive effects both in terms of energy savings and in terms of environment protection. Prerequisites for this include high-quality and well developed projects and implementation of tariff policies (introduction of metering) to attract investors and create conditions for more favourable loans.

Besides, it is necessary to continue with implementation of the activities for creating more favourable conditions for building plants for combined generation of heating and electric energy, both in the new facilities and for introduction of combined generation in the existing facilities and infrastructure.

Overall, reforms in the field of infrastructure development in the Republic of Serbia are still in the early stage, considering that the basic laws have been enacted and the process of liberalisation process has been initiated. Positive effects and full implementation of enacted and adopted regulations are yet to follow. Regulatory bodies still lack institutional capacities that would enable them to implement reforms and enforce regulations in all fields towards further liberalisation of service provision. Strong regulatory function in these fields should result in: tariff policy reform in order to include all costs and external effects, higher commercialisation, strengthening of competition, privatisation and continued legislative development.

In accordance with the foregoing, the following prioritized programmes, for which future international community assistance is highly important, are identified in the field of infrastructure development:

Table 9. Priority measures/activities for the attainment of mid-term objectives in the field of infrastructure development

Objectives	Programmes (measures/activities)
Modernisation of transport infrastructure	<ul style="list-style-type: none"> • Completion of construction of the Belgrade bypass; • Reconstruction and finalization of road and railway infrastructure on Corridor X, with relevant extensions; • Construction of the Belgrade – Southern Adriatic Highway; • Hydro-technical works aimed at improving the safety of transport on the Danube (Corridor VII) and development of inland waterway information services; • Construction and development of a network of modern intermodal terminals; • Preparation of Strategic Studies and development of ITSs (Intelligent Transport Systems). •
Construction and modernisation of energy infrastructure	<ul style="list-style-type: none"> • Construction of pipeline oil derivative transport; • Construction of Pan-European oil pipeline; • Construction of high pressure gas pipeline covering various routes; • Improvement of electric power transmission system –construction, extension or reconstruction of transformer stations, as well as construction of new transmission lines, including new powerlines; • management system in the electric energy market • Modernization of the technical system for electric power and facilities management and commencement of operation of a system for managing transactions in the electricity market.
Construction and development of local infrastructure	<ul style="list-style-type: none"> • Construction and development of facilities for the purpose of improving water supply; • Implementation of the part of Energy Sector Development Strategy which relates to distance heating systems (city heating plants) with introduction of a “pay-as-you-use” system; • Implementation of energy efficiency projects in power generation and power consumption sectors; • Modernization and construction of local and regional roads; • Protection of water source areas in the water supply system; • Construction of wastewater treatment facilities; • Gasification of cities and municipalities; • Formation and construction of regional landfills; • Construction and reconstruction of public lighting facilities; • Maintenance of communal cleaning services; • Construction and reconstruction of other public facilities of relevance for local self-government units

Given the importance of local infrastructure for economic development and standard of living, and taking into account the fact that local authorities and public utility enterprises have limited funding capacities, continued financial support from the international community for these projects is vital. At the same time, larger investment projects in the fields of transport and energy with relevant for integration with regional and international systems are expected to be financed/co-financed from loans granted by international financial institutions.

2.4. Environment Protection

During the 1990s, the environment in the Republic of Serbia was considerably degraded. In this period, lack of new investments and minimum investment in water supply and waste water and solid waste treatment areas caused serious degradation of the infrastructure and deterioration of basic service provision, as well as the deterioration of the environment condition and general water quality.

The legal framework for environment protection was established in 2004 by the adoption of the Environment Law, Law on Strategic Environmental Impact Assessment and Law on Integrated Environmental Pollution Prevention and Control. Draft of the National Environment Protection Programme is in revision phase, after which action plans will be prepared. Set of laws, which will complete the legal framework and govern certain relevant areas for environment protection, are in the parliament procedure:

- Draft Law amending and supplementing the Environment Protection Law
- Draft Law amending and supplementing the Environment Impact Assessment Law
- Draft Law on Ionising Radiation Protection and Nuclear Safety
- Draft Law on Protection against Non-Ionising Radiation
- Draft Law on Air Protection
- Draft Law on Waste Management
- Draft Law on Nature Protection
- Draft Law on Protection and Sustainable Use of Fish Stock
- Draft Law on Chemical Management
- Draft Law on Biocides
- Draft Law on Packaging and Packaging Waste
- Draft Law on Ratification of the Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters
- Draft Law on Ratification of the Amendment to Annex B to the Kyoto Protocol with the United Nations Framework Convention on Climate Change
- Draft Law on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction.
- Draft Law on Ratification of the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides

In spite of the efforts made since the beginning of the reforms, a large number of laws governing the environment area have not yet been harmonised with the EU Directives. Over 30% of all laws, which should be adopted by our country in the process of the European integration, are the laws in the area of environment protection.

The Government's strategic goal is participation in the activities of the international community and processes of resolving of the current and prevention of potential problems regarding environment protection. According to that, 64 international treaties in the field of environment protection have so far been ratified (ratifications undertaken as obligations of the Successor State), whereas ratification of other international treaties is still in the process.

In addition to the above activities in the previous period, there are still systemic weaknesses in the field of environment protection, such as: poor integration of environment protection policy with other sector policies, insufficient institutional capacities, inefficient system of environment protection financing and lack of economic incentive measures for conscientious behaviour in the area of environment protection.

Key institutional priorities include strengthening of the capacities of the Ministry of Environment and Spatial Planning, Environment Protection Agency and Fund for Environment Protection, establishment of the Agency for Protection against Ionising Radiation and Nuclear Safety in accordance with the standards and recommendations of the International Atomic Energy Agency, establishment of the Chemicals Agency, which would conduct activities regarding safely putting of chemicals on the market (chemicals, biocides, plant protection products) as it is the practice in the new (Poland, Slovenia, Slovakia) and/or old EU countries (Sweden) and the central European Union Chemicals Agency, based in Helsinki, as well as strengthening of the Ministry of Agriculture, Forestry and Water Management (as the major and direct carrier of concern for the use of land, water and forest resources in the Republic of Serbia) and other relevant institutions.

In the Republic of Serbia about 60-70% of utility waste is collected. Locations for waste disposal do not meet the conditions for sanitary landfills. Furthermore, there are no plants for hazardous waste treatment and disposal, which is temporarily stored in inadequate storages, some of which exist for several decades. Besides, level of generation of industrial waste per product unit is unproportionally high,

use of raw materials is uneconomical and energy efficiency is low. The Law on Waste Management and Law on Packaging and Packaging Waste are in the parliamentary procedure and should be soon adopted. The National Waste Management Strategy, adopted in 2003, is implemented according to certain schedule. The existing Strategy is to be revised after the adoption of the Law on Waste Management. Besides adoption and implementation of the laws that will contribute to the improvement of waste management, it is necessary to build regional sanitary landfills and plants for hazardous waste treatment.

It is necessary to make efforts towards reduction in surface and underground water pollution and improvement of the system for surface and underground water quality monitoring.

Important water pollution is incurred in the mining basins by erosion of unprotected disposals of waste rock. On several occasions, serious pollution of water flows and underground waters was caused due to emergency breakouts of flotation dams and spilling of over 100 million tons of flotation waste rock. Thermal power facilities significantly pollute surface and underground waters used for cooling purposes.

In the previous period, Draft Law on Water Management Financing was prepared. As the water appears to fall within the scope of competence of several ministries, it is necessary to define inter-ministerial plan for implementation of the European Union Water Framework Directive.

It should be mentioned at this point that in the area of waters the Republic of Serbia has dual legislation, i.e. the Law on Waters with outdated solutions and EU Water Framework Directive (as the legislation applied within the Ratified Danube River Protection Convention as well as within the Sava Commission). Such duality causes considerable problems and slows down the process of harmonisation with the EU in this area. It is necessary to mention that in 2002 the Government adopted the Water Resources Master Plan, which is by its solutions rather outdated in terms of concept and methodology and therefore, in addition to harmonisation of the legal regulations, this document should be revised.

Air pollution in the Republic of Serbia is caused by gas emissions, arising from thermal power plants, industrial facilities and transport. Thermal power plants, using lignite as a heating source, create over 5.5 million tons of flying ashes and clinker per year, transported by thin water mixture (ratio water/ashes 1:15) and disposed in the landfills (area of about 1,800 ha), which frequently leads to uncontrolled secondary emissions of ashes (eolic erosion) and heavy metals with filtered water in the underground. A special problem is that ash landfills are often located in the immediate vicinity of river flows. In these zones, the so-called "black air pollution points" are identified, such as Kolubara-Obrenovac corridor where there is above-average frequency of respiratory diseases and contents of SO₂ and particles in the air by far exceed the national and, particularly, European air quality standards. From the thermal power facilities with power blocks of over 300 MW, NO_x emissions are considerably above emission limit values defined in the European legislation.

Thermal power facilities significantly pollute surface and underground waters, then soil and contribute to thermal pollution of surface waters used for cooling purposes.

Air quality is particularly degraded during weather conditions without wind and during the heating season in the city agglomerations (city boiler-rooms which have not made fuel substitution), especially due to the use of poor quality. Air pollution caused by sulphur and lead is particularly problematic because of low fuel quality (petrol with addition of lead and high-sulphur diesel).

Law on Air Protection is currently in the parliament procedure and a whole set of by-laws, stemming from this Law, which will closely define certain areas (e.g. decree on monitoring, decree on standard of ambience air quality, decree on emission limit values, rules on authorisation, etc) is under preparation.

In the previous period, the Energy Community Agreement in South East Europe (2005) was signed and ratified, which provides for gradual and full implementation of ACQUIS COMMUNITAIRE ENVIRONMENT until 2017, referring to energy sector activities. These obligations are defined in Annex II of the Energy Community Agreement, referring to the following: Council Directive 85/337/EC of 27 June 1985, Council Directive 97/11/EC of 3 March 1997 as supplement to the Council Directive 85/337/EC, Directive 2003/35/EC of the European Parliament of 26 May 2003, Directive 1999/32/EC of the European Parliament of 26 April 1999 and refers to the reduction of sulphur in liquid fuels and represents supplement to the Directive 93/12/EEC, Directive 2001/80/EC of the European Parliament of 23 October 2003 and Council Directive 79/409/EEC of 2 April 1979.

However, the National Cadastre of Glass House Gas Emissions (GHG) is still missing, as well as the list of substances causing the damage of ozone layer, as well as incentive measures for reduction in gas emission into the air. Poor monitoring does not allow creating realistic picture of air pollution in the Republic of Serbia.

The Republic of Serbia (Serbia and Montenegro) ratified on 12 March 2001 United Nations Framework Convention on **Climate Change**, one of most important international treaties in the area of environment, as Non-Annex 1 countries. By acquiring this status and ratification of the Kyoto Protocol (in October 2007), the Republic of Serbia gets possibility to participate in the mechanism, which stems from this Protocol, the so-called Clean Development Mechanism – CDM. It means that the Republic of Serbia will be able to use international financing mechanisms for introducing the cleaner technology into thermal power plants, improving energy efficiency, stimulating the use of renewable energy sources and co-generation plants, fuel substitution and new forest planting, thus contributing to the solving of the utility waste problem and avoiding reliance on limited local financial resources. For that purpose, the Republic of Serbia will implement in the future period the activities for building national institutions, necessary for the CDM Project implementation, and prepare the National Strategy for CDM Mechanisms Use. Preparation of this Strategy, especially in the part referring to the energy sector, is a precondition for implementation of CDM Project implementation.

Unnecessary industrial pollution is incurred in most identified black pollution points, which represents a serious risk for population health, as well as for surrounding ecological systems of those regions. In the Republic of Serbia, most impaired black points are towns of Bor, Kragujevac, Pancevo, Novi Sad and Sabac. The most toxic substances, incurred in such environments, are dichloreten, quicksilver and other heavy metals, oils containing polichlore biphenyls and refinery waste, and phenols. Emissions of these polluters are frequently above the allowed limit values, both by the national standards and the European Union standards. The situation is additionally deteriorated by environment pollution caused by the NATO bombing in 1999. A special problem is monitoring of environment condition on 4 locations (Plackovica, Borovac, Reljan and Bratosele) in the territory of the Republic of Serbia, excluding Kosovo and Metohija, which were contaminated by depleted uranium munitions and rehabilitated in the period 2002 – 2007. It is necessary to rehabilitate the above ecologically critical areas. Pollution of the locality of the Novi Sad refinery, caused by the NATO bombing, represents high risk hazard for water supply of the City of Novi Sad due to the immediate vicinity of the water intake.

It is necessary to develop information systems for environment monitoring (chemicals, noise, waste, sources of ionising radiation).

Chemical industry is today meeting the country's needs for a wider spectrum of products, starting from main base chemicals, such as oil and gas products, industrial chemicals (non-organic and organic), through intermediary to finished chemical products, the number of which is constantly growing (fertilisers, polymers, fibres, pesticides, medicines, detergents, cosmetics, paints, adhesives, explosives, etc). Proper chemicals **management** requires that their production and use lead to minimisation of harmful effects on human health and environment.

Law on Chemicals Management and Law on Biocides, which are harmonised with the EU regulations, are in the parliamentary procedure. The implementation of these laws will improve the existing situation in the area of chemicals management and contribute to the removal of deficiencies such as insufficient inter-sectoral connection of the state bodies responsible for different stages in the life cycle of chemicals management, poor marking of the chemicals put on the market, inadequate prohibitions for certain methods of chemicals use, which cause insufficient protection of human health as well as pollution of all environment media.

Management of chemicals – hazardous materials, causes through various forms of activities, certain levels of risk of **chemical accidents**, which by their consequences directly affect health, human lives and environment. This requires from the carriers of hazardous activities, relevant bodies and institutions to undertake, in accordance with their competences and obligations, measures and activities for building and development of the response system in case of a chemical accident. By amending the current legal regulations, which are to be fully harmonised with the EU legislation, a better basis for quality activities in this area, as well as faster inclusion into the international risk management system and accident response will be created.

Drinking water in the Republic of Serbia is generally of unsatisfactory quality. Main problems lie in the old distributive network with big losses and uneconomical water consumption. Lack of access to water supply and sewerage infrastructure is, primarily, health problem for one segment of the population. Reconstruction and modernisation of water supply system is required. The largest cities in the country do not have plants for utility waste water treatment and nearly 90% of waste water from the industry is discharged without prior treatment. Additionally, it is necessary to improve waste water management through construction of the plants for treatment of waste water in industry, in the cities, but also in most undeveloped municipalities of the Republic of Serbia. Soil in the Republic of Serbia is seriously impaired by uncontrolled and inadequate use of artificial fertilisers and pesticides, as well as the consequence of poor management of waste and chemicals, which causes serious and long-term pollution. Moreover, problems of soil pollution and eutrofication in the Republic of Serbia are mainly connected with uncontrolled discharge of non-treated waste waters from stock farms and poor quality of water for irrigation. Dissemination of information on the practice of good environment management in large stock farms is very poor. Emergency intervention is also needed in the field of reduction in agricultural pollution,

coming both from large farms and processing capacities and from small farms, which regularly and cumulatively cause pollution by manure and urine. Efforts to introduce good practices into the agriculture are implemented through the World Bank and UNDP projects connected with the reduction in the Danube River Basin pollution. It is necessary to ensure reduction in soil pollution from the aspect of thermal power plants.

It should be stressed that the successful implementation of the **energy reform** is crucial for the success of reforms in the area of environment protection throughout the country. Considering that the energy sector is a key polluter and that sustainable energy development is one of major aspects of the overall sustainable development, the Ministry of Mining and Energy also initiated, within the process of establishment of the Regional Energy Market in South East Europe and its integration into the EU internal energy market, Convention on Sustainable Energy Development in the Region of South East Europe, whose implementation requires significant assistance of the donor community. Besides, the question of energy efficiency increase and wider use of renewable energy sources, as well as very important aspects of sustainable development will also imply important activities in these areas, with additional requirements for the support from the international community. The resources necessary for successful achievement of the full implementation of EU standards goals in the area of environment protection only in thermal sector of the Electric Power Industry of Serbia are about EUR 1.2 billion, which is approximately 28% of the total resources anticipated for the implementation of the National Environment Protection Programme.

According to the most important measures for promotion of development and preservation of environment, the priority of the Government is establishing of the regulatory and economic mechanisms for realisation of the **sustainable economic development concept**. It should indirectly follow the national priorities in the environment protection policy, in accordance with the goals and instruments specified in the National Environment Protection Programme. The period 2008-2010 should include practical, financially acceptable reforms that may be immediately implemented. It primarily refers to regulatory reforms, aimed at harmonisation with the EU Acquis Communautaire for the area of environment. The goals of the measures are focused on the improvement of the regulatory framework, development of sectoral strategies and investment plans as well as monitoring system improvement and raising public awareness. Institutional responsibilities should be clearly defined in the new legislation in order to overcome the existing overlapping and inconsistencies.

In the period 2007-2009, the investment is gradually increased, because the orientation is on the building of efficient legal and financial system, as well as the system of monitoring and reporting on environment protection system where activities are not capital-intensive. It is assessed that the following sectors will have the greatest share in the total costs for the National Environment Protection Programme: energy and mining sector (28%), water management (15%) and transport – costs directly connected with the environmental improvement (9%). The amount of the anticipated funds represents only minimum required funds for priority reductions in air and water pollution in the energy sector, while total investment for bringing the energy sector to the level in accordance with BAT, energy efficiency improvement, use of renewable energy sources, etc, requires considerably higher level of funds. Transport costs, which are indirectly connected with the system of environment protection (by-laws, public transport improvement, etc), make 22% of the total costs for the National Environment Protection Programme. It is estimated that the major investment works in the waste management sector will include construction of sanitary landfills (average EUR 14.5 million per year). Rehabilitation of the existing landfills, according to the assessment, requires more than EUR 2 billion per year, while hazardous waste management would require over EUR 2 billion and medical waste management over EUR 1 billion per year. Experiences of new EU member countries from the Central Europe show that their costs in the field of environment were about 1.5%-2.5% of GDP in the period before joining the EU. Considering that, it is expected that the share of environment costs in the GDP of the Republic of Serbia, taking the average economic growth rate, will reach in the medium-term period the level of 1.4% of GDP. On the other hand, analyses show that the economic value of the environment degradation in the Republic of Serbia is between 4.7% and 14% of GDP. It may be concluded that the Republic of Serbia is faced with the large discrepancy between the degree of the environment degradation and possibility of financing the environment system, from the aspect of the short and medium-term period.

The Government is aware that the protection of the environment plays an important role in achieving development goals and therefore provides budget funds for dealing with those environment protection matters that have the top priority. At the same time, the budget funds alone cannot cover financing of all activities and investment projects in the field of environment that need to be implemented/started in the following years. Hence, it is necessary to involve all available mechanisms and possibilities for realisation of future projects. In the process of privatisation of companies, mechanisms should be developed for solving problems of the inherited pollution and/or damage incurred to the environment. The solution must be based on the "Polluter Pays Principle". Furthermore, it is necessary to encourage competition and participation of the private sector in the service provision areas, particularly in waste and water management. International assistance is of crucial significance, including loans granted under most favourable conditions, directed to the key segments of environment protection.

According to that, the following priority measures and activities, in which international assistance may contribute to the achievement of the above goals in the field of environment protection, were identified:

Table 10. Priority measures/activities for realisation of medium-term goals in the area of environment protection

Goals	Programmes (measures/activities)
Strengthening of legal and institutional capacities in the area of environment protection	<ul style="list-style-type: none"> • Adoption of the National Environment Protection Programme • Preparation and adoption of the Action Plans for the implementation of the изграда и усвајање National Environment Protection Programme (2007-2015) • Preparation and adoption of the National Strategy for Sustainable Use of Natural Resources and Goods (inter-sectoral document whose preparation should be coordinated by the Ministry of Environment) • Preparation and adoption of plans, programmes and bases for each individual natural resource or goods, which are adopted by the Government of the Republic of Serbia and by which the National Strategy for Sustainable Use of Natural Resources and Goods is implemented • Integration of the policy and provisions on environment protection into other sectoral policies and laws in line with the EU Acquis Communautaire, • Establishing and strengthening of the capacities of the units for project planning and management in the area of environment, • Strengthening of the administrative capacities for the implementation of the regulations on environment impact assessment, • Strengthening of the administrative capacities in the area of industrial pollution, • Strengthening of the capacities of the Environment Protection Agency and Environment Protection Fund.
Development of the efficient system of environment protection financing	<ul style="list-style-type: none"> • Development of the efficient system of environment financing, based on the earmarked funds and wide application of economic instruments, • Implementation of the Decree on tariffs for air emissions and waste generation. • Introduction of agri-environment scheme into the incentive scheme of the Ministry of Agriculture, Forestry and Water Management
Reduction in industrial pollution	<ul style="list-style-type: none"> • Reduction of emissions of CO₂, NO_x, VOC, PAH, suspended particles and other polluting substances into the air for the existing industrial facilities which do not meet the EU standards, • Treatment of industrial waste waters by revitalisation of the existing facilities and building of new plants for treatment of waste waters from the industries discharging hazardous materials, • Implementation of the integrated system of permits for industrial plants in accordance with the Law on Integrated Environmental Prevention and Control, • Remediation of contaminated soil in the industrial complexes • Introduction of clean production and Environment Management System (EMS) into industrial plants, • Increase in energy and raw material efficiency in industry and reduction in waste generation
Reduction in pollution from mining sector	<ul style="list-style-type: none"> • to provide treatment of waste waters generated in the process of exploitation and treatment of raw materials by revitalisation of the existing treatment plants and building of new plants in the locations where hazardous materials are discharged, • to examine possibilities for use and exploitation of technogene mineral raw materials, • remediation and recultivation of the degraded areas by execution of mining works, • to reduce risk from water pollution, resulting from mining activities, • dealing with problems of waste rock disposal and oil drilling mud, • revision of the regulations governing the area of mining and geological research.
Reduction in pollution from energy sector	<ul style="list-style-type: none"> • reduction in emission of CO₂, NO_x and suspended particles from large combustion plants in accordance with the EU Large Combustion Plant Directive (2001/80/EC), • reduction in negative effects of oil refineries on the environment, • treatment of waste waters from energy sector by revitalisation of existing treatment plants and building of new plants in the locations where hazardous materials are discharged, • reduction in environmental impact during flying ashes and clinker disposal by changing transport and disposal technology, • increase in energy efficiency of the energy sector (both in production sectors and energy consumption sectors) and reduction in waste generation, • recultivation of the existing landfills until 2011, • introduction of cleaner production and Environment Management System (EMS) in industrial plants, • increase in the volume of utilisation of renewable energy sources and gas, with implementation of the EU Directives and strengthening of the capacities

Goals	Programmes (measures/activities)
	<ul style="list-style-type: none"> • connecting individual households in towns with over 20,000 inhabitants to the remote heating or gas network heating system, • increase in energy efficiency and reduction in heating losses in heating companies and distribution network, • exploitation of 20% of flying ashes (dry electric filter ashes) from thermal power plants by 2011, as secondary raw materials.
Improvement of the environment in the area of agriculture, forestry and hunting	<ul style="list-style-type: none"> • raising awareness of agricultural producers in the field of environment by developing and promoting the code of good agricultural practice, • ongoing improvement of legislation in the area of agriculture, forestry and rural development with regard to the harmonisation with the best examples of the EU legislative practice, • adoption of strategic planning documents in the area of forestry and hunting, • reduction in discharge of nutrients and other hazardous materials from dot and diffusion sources and identification of the areas susceptible to water pollution caused by nitrates by 2010 in accordance with the Directive 91/676/EEC, • introduction of the system of controlled production and use of fertilisers and pesticides on agricultural land for the purpose of reducing environmental impacts, • improvement of environment protection management on stock farms and processing plants, introduction of good agricultural practices and rational management and exploitation of organic waste in stock-breeding and agriculture as a whole • development of organic agriculture, • improvement of sustainable forest management system, especially in private forests, • development of modern monitoring in forestry and hunting, • improvement of management in the area of hunting and fishing and reduction in their negative impact on the biodiversity and protected natural resources. • Improvement of the integrated protection of the forest ecosystem by applying best available techniques with focus on biological protection
Reduction in pollution from transport sector	<ul style="list-style-type: none"> • Gradual ban on leaded petrol by 2010, • Improvement of fuel quality according to the Directive 2003/17/EC by 2010, • To ensure that all vehicles produced in the Republic of Serbia and imported vehicles by 2010 comply with the limit values of emission for motor vehicles laid down in the Directives 98/69/EC and 2001/100/EC, • Improvement of public transport conditions and competitiveness in larger cities in order to reduce emission from mobile sources in city centres, • Use of biodiesel in accordance with the Directive 2003/30/EC on the promotion of the use of biofuels, • Construction of bypass roads in cities with large impact of transport on the environment, • Reduction in pollution from ships in navigation water flows.
Improvement of quality of waters and water resources	<ul style="list-style-type: none"> • Harmonisation of the national regulations with the EU legislation, • Improvement of inter-institutional coordination in the area of water • Establishment of the zones for protection of all deposits of underground waters, etc. . • Improvement of water quality in water flows by reduction in discharge of untreated utility and industrial waste waters, • To innovate standards and improve laboratory for water quality control, • Establishment of the sustainable use of underground water deposits • To provide revitalisation and functioning of the existing facilities for treatment of waste waters in settlements, • To provide treatment of utility waste waters in settlements in which there is organised water supply and which significantly influence the immediate recipient and water quality in sensitive zones, • To make sure that the quality of drinking water in settlements meets quality standards of the Drinking Water Directive 98/83/EC and extend the centralised water supply system to the chosen rural areas with unsatisfactory water quality, • To rationalise water consumption of individual consumers. • Increase in degree of public sewerage system coverage to 65% population by 2015
Improvement of waste management	<ul style="list-style-type: none"> • Harmonisation of the national regulations with the EU legislation, • Development of regional plans for waste management, • Building of regional sanitary landfills, • Introduction of separate collection and treatment of hazardous household and industry waste, • Development of programmes for animal waste management, • Establishment of capacities for hazardous waste treatment, • Building of capacities for burning of organic industrial and medical waste, • Completion of construction of the factory for processing and safe disposal of hazardous

Goals	Programmes (measures/activities)
	<ul style="list-style-type: none"> waste, • Programmes of use of waste as alternative fuel in cement factories and ironworks, • Rehabilitation of the existing landfills which represent major environmental risk, • Increase in rate of re-utilisation and recycling of packaging waste to 25% of its quantities, • Intensive introduction of good agricultural practices in nutritional materials management on farms • Increase in the number of citizens covered by waste collection system to 80%
Improvement of management of chemicals and protection against accident	<ul style="list-style-type: none"> • Harmonisation of the national regulations in the field of management of chemicals and protection against accident with the EU legislation, • Revision of the national regulations on accidents in industry and transport, • Ratification of important international conventions in this area, • Development of information system for management of chemicals and protection against accident, • Strengthening of administrative capacities for management of chemicals and protection against accident • Establishment and development of risk management and response system to chemical accidents in industry and transport at all levels (industry, local self-government, Republic)
Improvement of quality of air and climate change	<ul style="list-style-type: none"> • Harmonisation of the national regulations in the area of air protection with the EU legislation, • Preparation of cadastre of polluters and balance of emissions, • Improvement of air quality in accordance with the standards, reduced emissions from energy sector, industry, transport, etc. • Modernisation of monitoring network and laboratories and installation of automatic stations for ongoing monitoring of ambience air quality, • Establishment of automatic monitoring on major emitters, • Building of capacities for the implementation of the Kyoto Protocol, • Preparation of the National Programme referring to the climate changes by 2008, • Development of the strategy for implementation of the clean development mechanisms.
Protection of nature, biodiversity and forests	<ul style="list-style-type: none"> • Harmonisation of the national regulations governing the area of protection of nature, biodiversity and forests with the EU legislation and international conventions, • Development of the national strategy of sustainable use of natural resources and goods, • Development of the national strategy for preservation of biodiversity and geodiversity, as well as the national strategy for preservation of agrobiodiversity • Establishment of control of biodiversity components, • Reversing biodiversity loss in accordance with the Kiev Declaration by 2010, • Strengthening of administrative capacities in the area of protection of nature, • Implementation of effective measures for control of GMO intake, • Preparation of the inventory of biodiversity, especially the inventory of impaired ecosystems and habitats of rare and endemic species by 2008, • Increase in areas under forestes and improvement of forest structures, • Improvement of the system for management of protected natural resources.
Soil protection	<ul style="list-style-type: none"> • Harmonisation of the national regulations in the area of soil protection with the EU legislation, • Reduction in erosion- impaired soil by executing anti-erosion works and introducing effective measures for erosion control.
Protection from noise	<ul style="list-style-type: none"> • Harmonisation of the national regulations in the area of protection from noise with the EU legislation, • Establishment of zones and noise control systems in urban areas with largest noise emission, • Establishment of target noise control on major roads, • Reduction in emission of noise in the most impaired locations.
Protection from ionising and non-ionising radiation	<ul style="list-style-type: none"> • Harmonisation of the national regulations in the area of protection from ionising and non-ionising radiation with the EU legislation, adoption of the Law on protection from ionising radiation and nuclear safety and the Law on protection from non-ionising radiation • Establishment of the Agency for radiation protection and nuclear safety • Preparation of the database on sources of ionising and non-ionising radiation • Raising social awareness about the importance of protection from ionising and non-ionising radiation • Improvement of institutional capacities for implementation of regulations in the area of protection from ionising and non-ionising radiation, • Development of the radioactive waste management programme, • Implementation of the complete decontamination of the soil contaminated by depleted uranium,

Goals	Programmes (measures/activities)
	<ul style="list-style-type: none"> • Modernisation and extension of the radioactivity monitoring network by 2012, • Providing capacities for ongoing radioactive waste disposal.

2.5 Regional Development

For many decades, the regional development was not considered an integral part of the overall social and economic development. The problems of the regional development were marginalised and analysed as a separate and not particularly important dimension of the entire development. The fact that development has its regional and spatial dimension was constantly neglected as well as the fact that defining of institutional development mechanisms is by no means regionally neutral. Regional differences were observed from the aspect of the development level, while their economic and development, social, cultural and even political repercussions were ignored.

Complexity of the inherited regional problems of the Republic of Serbia, along with the emergence of the new regional “transition poverty” reached such proportions that it would be necessary to start defining the new concept of regional development. Therefore, the sector for regional development was established within the Ministry of Economy and Regional Development of the Republic of Serbia. The newly-established Sector for Regional Development has worked, in consultation with over 50 local and foreign partners from the public, civil and private sectors, on the preparation of the Draft Law on Regional Development, which is expected to be adopted during 2009. The Draft Law will be soon forwarded, after completion of the public discussion, held throughout Serbia, to the Government for adoption. Additionally, it is planned to prepare a whole set of by-laws, which should ensure the implementation of the Law on Regional Development in an adequate and functional manner.

Strategic commitments of the regional policy in Serbia stem from the detailed comparative analysis of national strategic documents. In the Strategy of Economic Development of the Republic of Serbia, fostering of the regional development is one of major targets of the economic policy for the period 2008-2010. The Strategy for the Accession of Serbia to the European Union recognises “decentralised fostering of economic and social development of certain regions in accordance with their specific regional problems” as main strategic direction of the Serbian regional strategy and policy, in harmony with the EU principles. The priority identified in the European Partnership clearly indicates the necessity of further development of local and regional structures for supporting companies, clusters, incubators, industrial zones and technology parks. Medium-term priority of the Poverty Reduction Strategy, but also one of the pillars on which the Strategy for Regional Development of the Republic of Serbia is based for the period 2007-2012, is to define the strategy for development of the institutional regional infrastructure.

Particularly important strategic references, defined in the Second Report on the Implementation of the Poverty Reduction Strategy, include building capacities of central and local authorities for planning, operational management and monitoring of the use of EU and local funds, as well as developing the decentralised system of support to the economic and rural development, using participative approach to planning and decision-making, strengthening of local community and all social partners.

In addition, regional development policy will direct measures and incentives as policy instruments to the ongoing development of economy based on knowledge, innovativeness and modern scientific and technological achievements and methods of management through giving active support to the “development engines” of the region and development of urban communities. Thus, fostering of the development of the regions, areas and municipalities with positive business climate, fast and efficient administrative procedures, clear and transparent methods of operations is also identified as a priority of the regional development of the Republic of Serbia.

Mission of the regional policy, as an inter-sectoral priority of the Government of the Republic of Serbia, implies creation of the economically strong development regions in accordance with the European standards, ready to meet, by implementing active regional development policy, social and economic needs of the economy and citizens.

Inter-sectoral priorities:

- Fostering of overall social and economic sustainable development,
- Reduction in regional and inter-regional disparities,
- Support to opening of new jobs,
- Increase in competitiveness of the Serbian economy,
- Development of knowledge-based economy,
- Increase in quality of life and standard of citizens,
- Reduction in negative demographic trends in the regions,
- Fostering of the promotion of human resources in the regions.

The above-mentioned inter-sectoral priorities are achieved exclusively by synergy efforts of the inter-ministerial working bodies, which prepare by coordinated and planned process packages of policies, measures and activities of the regional development at the yearly level. To achieve the set priorities, it is necessary to mobilise active measures and incentives for numerous policies of the country.

Below is the proposal of the policies, measures and activities of the development policy in the function of fostering regional development, which is more closely presented in the Strategy for Regional Development of the Republic of Serbia for the period 2007-2012.

Table 11. Measures and activities of the development policy in the function of fostering regional development

Goals	Programmes (measures/activities)
Development of the legislative and institutional framework at the national and regional level	<ul style="list-style-type: none"> • Adoption of the Law on Regional Development of the Republic of Serbia, • Establishment of the institutional framework of the regional policy in Serbia, • Harmonisation of the local regulations with the relevant regulations and standards of the EU, • Strengthening of capacities of the institutions responsible for the regional development.
Speeding up the process of decentralisation	<ul style="list-style-type: none"> • Implementation of the fiscal decentralisation with a view to giving special tax incentives for investment in the undeveloped areas, • Giving rights to local self-governments to manage public ownership.
Developing fiscal policy for support of the regional development	<ul style="list-style-type: none"> • Modification and improvement of the existing fiscal policy instruments, • Introduction of new fiscal policy instruments with emphasised regional component, • Development of the capacities of local communities for undertaking new powers and requests imposed by fiscal decentralisation, • Fiscal decentralization
Developing policy for support of the regional development	<ul style="list-style-type: none"> • financing and granting loans for infrastructure projects, • granting incentive start-up loans for establishment of new companies, • granting incentive loans for extending capacities of the existing economic entities, • granting loans to newly-employed persons and persons who have been made redundant, • fostering of the exports by loans, • greater allocation of budget funds and funds from privatisation for granting loans for equal regional development.
Developing environment protection policy for support of the regional development	<ul style="list-style-type: none"> • adoption and implementation of the strategic documents in the area of environment protection, • extension and strengthening of capacities in the municipal departments and public utilities in this area, • providing of drinking water of appropriate quality in all regions, etc.
Developing policy of fostering entrepreneurship for support of the regional development	<ul style="list-style-type: none"> • standardisation of the level of development of economic and communal infrastructure, • strengthening of national and regional institutions for fostering regional development and their networking, • introduction of differential incentives on the basis of tax policy, • employment incentives according to the level of the regional development, • implementation of other measures for increased influence of SME sector to the equal regional development, etc. •
Developing economic infrastructure for support of the regional development	<ul style="list-style-type: none"> • Implementation of measures for modernisation, reconstruction and building of infrastructure, • Improvement of management and planning of road maintenance works, along with prior information updating.
Developing industrial policy for regional development support	<ul style="list-style-type: none"> • Completion of privatisation process and restructuring of economy, • Increase in investment into modernisation of industrial capacities and employment growth, • Development of SME in the field of industry, • Implementation of measures for reduction in the differences at the level of economic development between regions and creation of regional promoters of development, • Investment in development of industrial infrastructure of the undeveloped regions, • More efficient use of raw materials and exploitation of waste as energy source, etc.
Developing agricultural policy for regional development support	<ul style="list-style-type: none"> • Regulation of functioning of land market and possibility of lease, • Creation of conditions for the commercial credit sector to meet the needs of farmers,

Goals	Programmes (measures/activities)
	<ul style="list-style-type: none"> • Providing support for the sustainable rural development, • Establishment of the adequate institutional framework in the area of agricultural policy, etc.
Developing state assistance policy for support of the regional development	<ul style="list-style-type: none"> • Directing the state assistance funds for fostering employment, development of economic and social infrastructure, economic development, environment protection and development of tourism, • Strengthening of the institutional capacities of the ministries, regional development agencies and other special organisations for using IPA and other funds, • Implementation of the technical assistance projects, • Directing donor funds for granting micro loans to companies in the undeveloped regions, etc.
Developing employment policy for support of the regional development	<ul style="list-style-type: none"> • Implementation of the measures for increase in the economic activity and employment (introduction of employment incentives according to the level of regional development, introduction of subsidies for new employment, granting favourable credit lines for opening new jobs, etc.), • Establishing of the legal regulations in the field of employment policy, • Implementation of the active employment policy measures, • Implementation of the measures for providing social security of the unemployed persons who are made redundant in the process of restructuring and privatisation, • Implementation of the measures for increase in the rate of employment of the youth and other categories of population with low employability, etc.
Developing social policy for support of the regional development	<ul style="list-style-type: none"> • Implementation of measures for social protection of the poorest citizens, • Developing network of various services for citizens, etc.
Developing spatial planning for support of the regional development	<ul style="list-style-type: none"> • Establishing of the planning regions (regulatory, institutional and economic and financial instruments), • Creating of the modern spatial planning system (regulatory, institutional and economic and financial instruments), etc.
Developing the policy of international economic relations for support of the regional development	<ul style="list-style-type: none"> • Cooperation with the relevant partners through consultative process of defining priorities for crossborder and regional cooperation, • Financing programmes of crossborder cooperation from IPA funds, etc.
Developing the investment policy for support of the regional development	<ul style="list-style-type: none"> • Implementation of measures for creating incentive environment for attracting investment, especially in the undeveloped regions, • Implementation of the measures for fostering establishment and development of free zones, i.e. measures for regional development of economy, etc.
Developing the foreign investment policy for support of the regional development	<ul style="list-style-type: none"> • Redefinition of the existing and adoption of new measures for eliminating administrative obstacles for foreign investment in the function of equal regional development, etc.
Developing the policy of competitiveness for support of the regional development	<ul style="list-style-type: none"> • Preparation of the strategic document on increase in productivity and competitiveness in the Republic of Serbia, • Regulating the principles and procedures in the area of smooth implementation of the competition protection policy with a view to strengthening economic efficiency, • Institutional strengthening of capacities of the Commission for Competition Protection, • Creation of statistical and analytical basis for assessment, monitoring and projecting of the elements of regional competitiveness in accordance with the EU, etc.
Development of tourism for support of the regional development	<ul style="list-style-type: none"> • Tourist structuring of the Republic of Serbia, • Preparation of the programme for tourism development in the national parks and protected areas, • Establishment of the necessary institutions and instruments of influence on the development, growth and building of competitiveness of certain regions, • Preparation of the programmes for improvement of accommodation capacities, • Preparation of the programme for development of tourism quality assurance system, • Preparation of the consumer protection programme, development of tourist information system and improvement of environment protection, • Harmonisation of the legal regulations with the EU, etc.

2.6. Rural Development

Rural development was given the character of the economic and social development priority, because almost half of the total population (42% of the population) live in rural regions of the Republic of Serbia and they make nearly three-quarters of the country's territory (according to the OECD criteria,

communities are identified as rural regions if their population density is below 150 inhabitants per square kilometre).

Rural region is for many decades in the conditions of economic and cultural devastation, which drastically increases poverty. In rural regions of the Republic of Serbia, poverty rate is 14.2%, which means that every seventh inhabitant is poor. Poverty in rural regions is almost twice as high in comparison to the poverty in towns and cities (7.8%). Rate of rural population is the highest in south-eastern Serbia, amounting to 22.7%. Rural population is, compared to the urban, also faced with higher depth and severity of poverty²⁹. The main causes of higher poverty level in rural regions are aging of the population, which in turn leads to reduced work ability and earning capacity, then less favourable educational structure of the population, as well as unfavourable ownership structure, resulting in the long-term unfavourable position of the agricultural production and difficulties in its revitalisation over relatively short period.

Additional development problem of the country comes from the multi-decade long inherited regional inequalities. The Republic of Serbia is characterised by extremely large regional disproportions, with the ratio between the most developed and the most underdeveloped municipality of 1:15. The differences between the regions in the development level are also additionally increased during the transition period, having in mind that since 2000 disproportions between the regions have grown, with the tendency of further continuation of such trend. Traditionally underdeveloped municipalities and districts, in which large corporate systems have collapsed, like the south and south-east part of Serbia³⁰ and region of Stara Raska³¹ are especially impaired. In addition, very difficult economic and social situation is in the municipalities of eastern Serbia, primarily in Bor and Majdanpek, which used to be regional mining centres, while today have the status of devastated regions.

In the previous period, the regional development of the Republic of Serbia was based on the predominant sectoral and not integral concept, which resulted in the overlapping, poor coordination and focusing on only certain development segments, thereby preventing synergy effects. Serious constraint was posed by the absence of the law, which would basically regulate the area of regional development as well as non-defined institutional framework, which led to the insufficient cooperation between municipalities and districts in defining development initiatives, information flow and alignment of national, regional and local development targets and priorities³². Low level and slowness of the decentralisation process in the Republic of Serbia is another deficiency.

Such an approach to the regional development in the previous period caused that today the underdeveloped regions in the Republic of Serbia are mainly rural and have the following dominant characteristics:

- Poor demographic structure,
 - Economic structure, inadequate in terms of available resources and market requirements with dominant share of agriculture,
 - Insufficiently competitive, economically inefficient agriculture and fragmented agricultural holdings, as well as disturbed market with poor connection between primary production, processing and marketing
 - Lack of qualified labour – most of these regions are faced with the problem of depopulation and lack of quality staff with required specific knowledge,
 - Two opposite processes – increased burden of some natural resources and abandonment and degradation of other resources, particularly in the mountainous regions
 - Undeveloped infrastructure capacities – poor social and economic infrastructure, mainly inefficient, expensive and insufficiently equipped, represents an additional constraint to the economic growth and social development of these regions,
-
- Insufficiently developed entrepreneurship and
 - Expressed problems in the area of environment protection.

In order to change this situation and to achieve more equal regional development, the state will have to foster, by concrete state aid programmes and through systemic measures, development of underdeveloped and devastated regions in the future period. Therefore, areas identified as the ones with

²⁹ Depth (gap) of poverty explains the amount of funds (as percentage of poverty line) required for the overall population to be above determined poverty line (under ideal circumstances of perfect targeting of cash transfers). Degree of poverty represents an indicator that shows how much certain categories of poor population are below the poverty line.

³⁰ Regions in southern Serbia include municipalities of Jablanica (Bojnik, Vlasotince, Lebane, Leskovac, Medvedja and Crna Trava) and Pcinj District (Bosilegrad, Bujanovac, Vladicin Han, Vranje, Presevo, Surdulica and Trgoviste).

³¹ The region of Stara Raska includes the following municipalities: Priboj, Prijepolje, Tutin, Sjenica, Nova Varos and Novi Pazar.

³² Activities towards establishing of the legal and institutional framework for regulating the areas of regional development are described in more details in chapter 2.5. Regional Development.

significant investment needs are rural development and/or improving conditions of life and work in villages, as well as promoting rural regions as healthy and attractive communities for life. Realisation of this target is primarily conditioned by:

- Reversing the depopulation process;
- Implementation of the process of state administration decentralisation and in particular fiscal decentralisation;
- Economic regionalisation of the territory;
- Harmonisation of economic, social and spatial dimension of the development;
- Coordinated allocation (territorial dispersion) of funds and other forms of assistance in the areas defined as regions with special development needs;
- Prevention of emergence of new regions with expressed development needs;
- Protection of at least minimum functional settlements in the entire region in order to support protection of cultural area;
- Relative improvement of the positions of the region, measured by the GDP ratio at the purchasing power of the population in comparison to the bordering regions of the neighbouring countries.

The initiatives that will include, besides agriculture, numerous other sectors, will be directed to the rural poverty reduction. The objective is to foster employment, economic growth and improvement of standard in rural regions, especially in the abandoned and border areas as well as hilly and mountainous regions. Special attention will be given to the young people, women as well as elderly population of the agricultural producers and other vulnerable categories of population.

All the above-mentioned indicates a necessity of the focused actions, which would contribute to the development of the underdeveloped regions and growth in social welfare, with particular emphasis on the use of comparative advantages of certain territories. Equal regional development is one of the priorities to be implemented in the following period and will include investment into urban and rural part of the country. In that context, it is necessary to implement the following activities:

- Development of legislative and institutional framework at the national, regional and local level, as well as financial mechanisms for rural development
- Alignment of the programme and payment system for rural development in the Ministry of Agriculture in accordance with the IPARD rules
- Establishment of the National Rural Development Council
- acceleration of the decentralisation process
- recognition of the European regional policy standards for the purpose of opening opportunities for using EU structural funds.
- Creating statistical and analytical basis for assessment of the regional competitiveness, as well as for monitoring and evaluation of the regional policy effects in accordance with the statistical standards of the European Union (NUTS).
- Channelling of portion of donor funds for the increase in development capacities of poor regions by providing different forms of technical assistance and granting micro loans
- Strengthening of inter-regional and inter-municipal cooperation, especially in the area of activating local development plans and opening new jobs
- Building utility infrastructure and general infrastructure, relevant for development of small and medium-sized companies
- Increase availability of education, health, social services and cultural institutions to citizens

Rural and regional development requires political dedication and coordinated approach, which needs to cover all levels of power. In the EU countries, interest and responsibilities for rural development policies are shared by numerous ministries, agencies and non-governmental organisations. It is understandable, because rural development is actually complex socio-economic development of special type of regions, which includes a series of issues such as employment, industry, agriculture, health care, transport, environment, social services, education, communications, finance, cultural heritage and the like, and as such, it is of interdisciplinary character, thus falling within the scope of activities of several ministries and other competent state bodies. Regional development in the Republic of Serbia should be based on the best EU practice and represent preparation for the future use of the EU structural and regional financial funds. It is very important to strengthen institutional capacities of the ministries and other relevant institutions for future adequate use of the international assistance funds, particularly funds of the EU pre-accession assistance. Local communities also have large responsibility for mobilising local resources and creating an environment for overcoming underdevelopment and poverty.

For financing projects for rural development improvement in the following three years, it is necessary to provide significant unreturnable assistance of the international community to the least developed regions, having in mind the value of the required investment, on the one hand, and limited

possibilities to realise the above activities through borrowing arrangements by the local self-governments and from own sources of the municipalities and the Republic of Serbia, on the other hand. In that context, the following priority areas for international assistance are identified:

- Improvement of economic activities and competitiveness (development of village tourism, service activities, entrepreneurship, culturological events, etc);
- Improvement of agricultural production (building of the system for irrigation and drainage of agricultural land, organic production, agribusiness centres/incubators, etc);
- Improvement of standards and quality of life in rural regions (access to health and education institutions, village landfills, etc);
- Improvement of environment and natural resource management
- Development of social capital for rural development.

In the past period, in the area of rural development, numerous activities for village support, particularly with regard to improvement of agricultural production and sale, village infrastructure, organic production and promotion of village were financed from the budget funds. In the following period, it is necessary to ensure support of the international community for the efforts of the Government towards improvement and development of rural regions. It is estimated that in the future three-year period, at least 10% of the total international assistance should be invested in the rural development improvement.

The following Table presents the goals and programmes/measures for their implementation in the next three-year period in the field of rural development³³:

Table 12. Priority measures/activities for implementation of medium-term goals in the field of rural development

Goals	Programmes (measures/activities)
Development of legislative and institutional framework at the national and local level	<ul style="list-style-type: none"> ▪ further strengthening of administrative capacities for policy formulation and implementation, ▪ phase II – building capacities of the Agency for Agricultural and Rural Payments, ▪ to pass and endorse basic rural development policy principles, Strategy of Agriculture and Rural Development, Law on Agriculture and Rural Development and Five-Year Programme on Development of Agriculture and Village ▪ to adopt regional and local action plans for rural development, ▪ to provide appropriate database and maps, as well as criteria for categorisation of the Serbian territory in line with the EU model on less favourable area for production, ▪ within the rural development programme, programme of development of ecological agricultural system should be specially elaborated, particularly for marginal and the areas of protected nature, as well as the programme of introducing good agricultural practices ▪ to start establishing local action groups for rural development j
Acceleration of decentralisation process	<ul style="list-style-type: none"> ▪ to conduct fiscal decentralisation in order to offer special tax incentives for investing in underdeveloped regions ▪ to allow local self-government to own and manage public property on its territory ▪ to implement decentralisation of services and provide support to pilot projects for this area ▪ to develop capacities of local self-government for undertaking new authorisations and requirements resulting from decentralisation
Development of financial mechanisms for support of rural development	<ul style="list-style-type: none"> ▪ to prepare rural development programmes for implementation of the funds of the Agricultural budget and funds from the donations ▪ directing of portion of donor funds for increase in development capacities of poor regions by providing different forms of technical assistance and granting micro loans through banks and non-commercial institutions ▪ to create conditions for meeting needs of agricultural producers in the underdeveloped regions for short-term, medium-term and long-term loans.
Improvement of economic activities and competitiveness	<ul style="list-style-type: none"> ▪ to establish network of centres for rural development support through partnership between the Ministry of Agriculture, Forestry and Water Management programme and payment system for rural development, local self-government and non-governmental organisations (civil society organisations) ▪ expansion of the network of regional agencies for development of small and medium-sized companies and entrepreneurship ▪ diversification of rural economy with special emphasis on development of village tourism and service activities ▪ opening of incubator centres (5) and transition centres (13) ▪ preparation of the programme for fostering female entrepreneurship

³³ Building, reconstruction and modernisation of local infrastructure, as priority goal in the area of rural development, is elaborated within inter-sectoral priorities "Building, reconstruction and modernisation of infrastructure".

Goals	Programmes (measures/activities)
	<ul style="list-style-type: none"> strengthening of inter-regional and inter-municipal cooperation
Improvement of agricultural cooperation	<ul style="list-style-type: none"> supporting modernisation of facilities and machinery on agricultural estate education and training in the area of new agricultural techniques assistance in building of new facilities for food processing and alignment of the existing facilities with modern standards building of the system for irrigation and drainage of agricultural land assistance to young farmers to build their estates organic production development
Improvement of standards and quality of life in rural regions	<ul style="list-style-type: none"> rehabilitation of villages and rural facilities efficient implementation of the existing and defining new programmes, measures and activities directly focused on the poorest and socially vulnerable categories of population projects in the area of health care system modernisation development of education, social, cultural and sport institutions and faculties development of the programme for protection of environment and countryside building of village landfills
Introduction of changes in rural economy ³⁴	<ul style="list-style-type: none"> engagement of agricultural population in non-agricultural activities fostering ecological services providing assistance to the areas which are not favourable for agriculture by promoting food quality, higher standards and animal welfare

³⁴ In accordance with Strategy of Agriculture and Rural Development of Serbia.

3. SITUATION OVERVIEW, SECTOR PRIORITIES AND NEEDS FOR THE PERIOD 2009 – 2011, BY SECTORS

3.1. Finance

In the period 2000-2005, the Ministry of Finance carried out significant reforms in the fiscal and monetary systems. *The monetary policy* was primarily focused on curbing inflation, recorded after liberalization of prices. With the liberalization of prices, the foreign exchange rate was set on the market level; the fluctuating exchange rate regime was introduced, followed by introduction of dinar convertibility with current transactions. With passing of the new Law on Foreign Exchange Transactions, capital transactions were also partially liberalized. In the domain of *fiscal system*, the system of budget planning and implementation was reformed, the Treasury was established, both on the Republican and local levels, the tax system was reformed (it was made more transparent and efficient), the procedure of public revenues collection and control was upgraded, and the reform of pension and health insurance was initiated. In spite of the initiated reforms, public consumption is still high, while the state interventions in the economy and the social funds remain very substantial. Because of that, fiscal sustainability is still a big challenge. The Ministry of Finance has modernized *customs operations*, by introducing electronic databases, which has enabled trading companies to obtain declarations by electronic mail, and shortened the time necessary for import and export.

The following list contains major reform projects, implemented with the donors' financial support, whereby the majority of projects were focused on strengthening of technical and personnel capacities of certain administrations and institutions within the Ministry of Finance.

Table 13 Major Projects in the Sector of Financing, in the period 2001- 2007

1. Macroeconomic reform, strengthening of the Central Bank, privatization and supervision of the banks	490,000 USD	USA	2001
2. Project for services in the area of debt management	1,900,000 USD	Switzerland	2001
3. Development of the financial sector	6,000,000 USD	World Bank	2001
4. Public Procurement Administration	30,000 GBP	United Kingdom	2002
5. Micro-financial diagnostic study	19,000 GBP	United Kingdom	2002
6. Support for the Anti Corruption Unit within the Ministry of Finance	126,000 GBP	United Kingdom	2002
7. Support for institution building (Customs Administration) and the Feasibility Study for border crossing points	700,000 EUR	European Commission	2002
8. Tax policy reform and administrative reform	8,660,000 USD	USA	2002-2005
9. (ATTF) – Training program for the financial sector	77,400 EUR	Luxemburg	2003
10. Public finance management	16,000,000 EUR	European Commission (CARDS)	2003
11. Belgrade Stock Exchange – Project of distant trading	425,000 EUR	Luxemburg	2003
12. Z84 INFORMEST Training for experts	59,000 EUR	Italy	2003
13. Support for the Ministry of Finance, Department for Macroeconomic and Fiscal Analyses	730,000 GBP	United Kingdom	2003
14. Support for the Funds Management Unit of the National Bank of Serbia	250,000 EUR	Spain	2004
15. Support for the Customs and Tax Administrations	6,000,000 EUR	European Commission (CARDS)	2004

16. Methodology for the City of Belgrade Land Value Assessment	338,500 EUR	France	2005
17. Technical assistance to Agency for deposit insurance, rehabilitation, bankruptcy and liquidation of banks	14,105,000 SEK	Sweden	2005
18. Support for the Customs and Tax Administrations	3,000,000 EUR	European Commission (CARDS)	2005
19. Public Finance Reform	2,000,000 EUR	European Commission (CARDS)	2005
20. Introduction of the Programming Budget of the Republic of Serbia	250,000 EUR	Norway	2005
21. Financial training in the Treasury Administration and the Republican Administration of Public Revenues	187,145 EUR	Norway	2005
22. Belgrade Stock Exchange – information system redesigning	405,000 EUR	Luxemburg	2005
23. Centralized payment system in the public sector			2005
24. Training in the Treasury Administration and Public Payments Administration	187,000 EUR	Kingdom of Norway	2005
25. Support to programming and implementation of the Norway's assistance	132,000€	Norway	2005
26. Technical assistance for implementation of cross-border and neighbourhood cooperation	1.5 + 1 mil. €	EAR	October 2004 – October 2006 + extension of 300 workdays
27. Strengthening the capacities of the Unit for management of cross-border and neighbourhood cooperation in the Department for donations and development assistance	54,600€/927,904€/64,200€	UNDP/EAR/MIER	June 2005 – July 2007
28. Joint support programme to the Department for donations and development assistance / MIER	1,778,000€,	SIDA / DFID	2006
29. PLAC – Policy and Legal Advice Centre (the EU Integration Office and the Ministry of Finance)	Part of the CARDS Programme in the total value of 1.5 million euros intended for the support in the EU accession process		
30. Support to the Ministry of Finance in strengthening mid-term expenditure framework	1.200.000 GBP	DFID	2008
31. Support to the IT system for Public Finance Management at the Ministry of Finance	2.100.000 €	EAR CARDS 2004	2008
Project for the Support to the Ministry of Finance (third phase)	1.000.450 \$	Kingdom of Netherlands/undp	2008
33. Establishing of a model for the corporativization of Public Enterprises in the Republic of Serbia	118.000€	IDA/Japan	2009
34. Support for the establishment of the decentralized system of Management of EU Funds (DIS)	278.000€	Kingdom of Norway	2009
35. Gap Assessment in the DIS	200.000€	European Commission CARDS	2009

36. Implementation of the technical infrastructure for the project on budget preparation - BPMIS	1.800.000€	Kingdom of Norway	2009
37. Establishing of the First Level Control	480.000€	Kingdom of Norway	2009

The strict economic policy and reforms will continue in the next three-year period, 2008-2010, to provide for the macroeconomic stability, public finances sustainability, safe business operations, improved competitiveness of the economy, and to support the long-term sustainable economic growth. Special attention will be attached to coordination of the monetary, fiscal and wage policies. The basis of a long-term strategy for the economic development of Serbia will include sustainable economic growth, improving competitiveness of the economy, development of the knowledge-based society, balanced regional development and accession to the EU.

Tax policy in the coming period has a continued task to reconsider, i.e. lower the total tax burden. With lowering of the total tax burden, the possibility will be considered to reduce appropriation against direct taxes, and in the same time to increase appropriation and level of indirect taxes, bearing in mind the necessity of relieving the economy and improving its competitive power, and imposing burden on consumption. To that effect, it is necessary to elaborate a *study* on the possibility of reducing tax burden on the economic activities, with a detailed survey of all costs born by economic entities on ground of taxes, dues, compensations and other charges. In the coming short-term period, public expenditures will be less lowered compared with 2005, but the focus will be placed on change in their structure, which is in the function of faster growth of the economic activities. A fundamental change in the public expenditures structure will be carried out during the reform process, through reduction of certain types of costs and expenditures. The public expenditures policy will be substantially supported at the moment of introducing *the programme concept* while preparing the budget for all levels of authority, primarily the budget of the central authority, i.e. the Republic. In order to establish fiscal sustainability, it is necessary to ensure higher domestic savings and higher inflow of foreign direct investments, as the lever for achieving high and sustainable growth.

Public debt policy will be led in the coming short-term period in the direction of further lowering of the public debt share in the GDP, and providing conditions for unhindered servicing of the state's obligations towards the domestic and foreign creditors, with the controlled new borrowings, in conformity with the Public Debt Law. Moreover, the continuation of negotiations with the Paris Club of Creditors is expected, as well as with all other creditors with which debt rescheduling has not been negotiated. It is expected that the debt status of debtors from the Autonomous Province Kosovo and Metohija will be regulated. The main role of the strategy for public debt management is to change the debt structure and ensure regular servicing of the due obligations, with a careful selection of the loans for which guarantees will be issued, early repayment of the most expensive loans, constant monitoring of fluctuations of dinar exchange rate and interest rates on the international market, in order to avoid exchange rate and currency risks.

Long-term increase in export will directly influence sustainability of external debt servicing.

The main activities in the framework of **the state aid control policy** in the coming period will be focused on:

- Elaborating by-laws for the implementation of the Law on State Aid Control, that was adopted by the Serbian Parliament in July 2009, and will enter into force on the January 1, 2010;
- Preparing the inventory of the current state aid programmes (schemes), active on the date of the establishment of the Commission for State Aid Control (planned January 1, 2010);
- Elaboration of the Programme for harmonization of the current state aid with the Law on State Aid Control;
- Organization of training for the members of the Commission for the State Aid Control;
- Organization of seminars, workshops and other forms of training for obligors and beneficiaries of the state aid;
- Performing professional, technical and administrative activities for the needs of the Commission for State Aid Control, stipulated in the Law on State Aid Control;
- Ensuring transparency in allocation of the state aid, by elaborating proposals for annual reports on allocated state aid in the Republic of Serbia, and submitting the proposals to the Government for adoption;
- Constant monitoring of changes in the EU regulations and proposing amendments to domestic regulations in the area of state aid control, with the purpose of their updating;
- Cooperation with domestic and foreign bodies, organizations and institutions dealing with state aid control;
- Presence in seminars and other forms of training in the country and abroad.

The above stated will ensure fulfilment of the obligations from the Interim Trade Agreement in the area of state aid, whose unilateral implementation was initiated on 30 January 2009.

Implementation of state aid control will have, as an ultimate result, positive impact on economic policy making, fostering foreign investments, recovery and restructuring of companies, privatization process, SMEs development policy, regional development, competition protection, rational management and planning of the state budget, and more efficient cooperation with international organizations. In addition, establishment of the state aid control system will bring Serbia closer to the EU policy and strategies (Lisbon Strategy – sustainable development, improved competitiveness of the EU economy, more jobs, and social and regional cohesion). Due to the importance of installing a completely new system of state aid control in the Republic of Serbia, i.e. because of the need to provide professional, administrative and technical operations for the Commission for State Aid Control in the Ministry of Finance, it is necessary that these operations are organizationally located in the Ministry of Finance, in a separate department, as it is stipulated in the Law on State Aid Control, whereas they are still an organizational/formal part of the Treasury Administration.

The aim of the fiscal policy implementation is to minimize the deviations from the projected policy, i.e. to consider **fiscal risks** and prevent their impact. In order to achieve the anticipated volume of revenues and expenditures of the fiscal sector, it is necessary to reduce fiscal risks to the minimum possible level. These risks exist both on the revenues' and expenditures' sides and they depend on macroeconomic, political and social trends in the country and abroad. Identification of potential risks, i.e. their monitoring and fiscal trends analysis, and particularly assessment of possible deviations and negative effects, are the prerequisite for successful management of public expenditures, i.e. total public finance system.

At the end of 2005, within the **pension system reform**, the Law on voluntary pension funds and pension plans was passed, and it was harmonized with the EU Directives. According to this Law, supervision of work of the societies for pension funds management, and adoption of bylaws was placed under the competence of the NBS. This segment of the financial sector should contribute to deepening of the shallow financial market in Serbia, in the way that these funds would dispose of the long-term funding resources, which can be invested also in the securities issued by the companies with good financial standing, which could induce a greater number of companies to start selling their stocks and securities on the market, and thus provide long-term and cheaper means for business activities. In addition, development of this sector should lead to improved competition on the financial market.

Implementation of the Poverty Reduction Strategy also depends on the macroeconomic stability and fiscal sustainability. Basic assumptions of the Strategy on which reduction of poverty depends are the following: maintaining of the macroeconomic stability as the support for the sustainable economic growth (minimum 4-5% on the annual basis), continuation of the fiscal reforms and provision of fiscal sustainability of public expenditures. The priorities for the forthcoming period, from the aspect of the Poverty Reduction Strategy, are: sustainable and high GDP growth, lowering of inflation, increase in export, increased share of private investments in GDP, fostering of long-term investments, fostering of long-term citizens' saving by increased credibility of the banking sector, lower share of public consumption in GDP.

It can be summarized that the Ministry of Finance will face in the coming short-term period, the following objectives:

- Maintaining macroeconomic stability (total shift of the NBS to the target inflation concept within the monetary policy, which should contribute to keeping of macroeconomic stability);
- Strict wage policy in the public sector;
- Pension system reform (in cooperation with the Ministry of Labour and Social Policy);
- Continued legalization of grey economy and expansion of the tax base, with simultaneous relief, by lowering the tax rates, especially the payroll tax;
- Establishment and functioning of the state aid control system, by passing the Law on State Aid Control and supporting by-laws, harmonized with the EU *acquis communautaire*, which will ensure meeting of the obligations from the Stabilization and Association Agreement, i.e. Interim Trade Agreement in this area, within the fixed time frame; provision of all conditions for unhindered activities of the Commission for State Aid Control and performing professional, administrative and technical work for the needs of the Commission, whose initiator is the Ministry;
- Upgrading the process of budget preparation and implementation;
- Acceleration of restructuring and privatization of big state-owned companies and provision of sufficient funds from the budget for redundant workers;
- Completion of the banking system reform.

To achieve all these objectives, it is necessary to continue building and modernization of the technical and institutional capacities of some organizational parts of the Ministry (primarily the Tax Administration and Customs Administration, but it is necessary to establish a separate department within the Ministry, which will be the promoter of these extensive works on establishment and further implementation of the new state aid control system, and performing professional, technical and

administrative work for the Commission for State Aid Control), aimed at more efficient work, combat against corruption, cross-border crime and tax evasion. In addition, it is necessary to invest continuously into human resources, and primarily strengthen the potential of the employees dealing with analysis, planning, monitoring and evaluation of the budget funds allocation, and upgrading of the level of qualifications (education) of accountants, finance officers and customs officers.

In the area of programming and management of the EU funds and the development assistance, along with the common strategic framework defined in the National Program for the Integration of the Republic of Serbia into the EU and the Strategy for Reform of Public Administration, the policy and priority goals in the area of cooperation with the donors are continuously being harmonized.

Activities on upgrading the cooperation with donors imply high level of inter-sectoral cooperation and coordination, and an active role of the Ministry of Finance/Department for Programming and Management of EU Funds and Development Assistance, in implementation of the inter-sectoral and sectoral strategic documents, by providing international support for implementation of the national development priorities.

The institutional framework for activities in this area includes the Ministry of Finance, Office for European Integration, Vice-President's Office Staff and Commission for Programming and Management of EU Funds and Development Assistance, formed with the purpose of interdepartmental coordination and decision-making on special issues.

The Ministry of Finance, among other things, performs the tasks relating to coordination with the competent state administration bodies and organizations, with the aim to establish departmental and interdepartmental strategies, priority needs and selection of adequate projects and programmes to be financed from donations and development assistance funds, including resources of international funds for reconstruction, development and stabilization, cohesion and structural funds, funds for regional, international and cross-border cooperation and other bilateral and multilateral sources of specific-purpose funds; informing donors about priority projects and programmes; cooperation with donors in aligning donor's priorities with the priorities of the Republic of Serbia, elaboration of donor strategies, planning and implementation of programmes and projects that are financed from donations and development assistance; monitoring implementation of projects and programs via reports submitted by beneficiaries of donations and development assistance, and by donors; data compiling, analytical data processing and elaboration of reports on donations and development assistance, and other tasks in this area. In this connection, the institutional basis for programming and coordination of international assistance has been created and it is being upgraded, the capacities of the line ministries for programming of the assistance and management of the EU funds are being upgraded (Department for Management of Cross-Border Cooperation Programme and four Regional Offices), and ISDAKON information system for programming, monitoring and reporting on international assistance to the Republic of Serbia has been developed.

So far, certain activities have been supported by various forms of technical assistance, funded by the international community. The forms of technical assistance are different, and they include engagement of experts for elaboration of strategic documents, action plans, situation analysis, law enforcement, upgrading work of institutions, various types of seminars and training. It is necessary that elaboration of the above documents, and training and education of the employed is a permanent process, aimed at continuing improvement of the level of public administration capacities and ensuring implementation of reforms. In this connection, the reform process in the Republic of Serbia underscores the significance of qualifications of the staff rendering technical assistance, and relevant human resources on the side of the beneficiary.

In order to achieve full contribution of the state institutions to the process of integration of the Republic of Serbia to the European Union, it is indispensable to support further strengthening of the overall capacities of the state institutions. The importance of improving special administrative capacities, dealing with the EU integrations, is clearly expressed in the defined short-term and long-term priorities of the European Partnership, and the priorities of the line ministries' strategies. In the forthcoming period, it is necessary to enable continuing development of all structures involved in the European integrations (with a special accent on the structures within the ministries) and to establish the mechanisms for their mutual cooperation. Upgrading of the capacities for implementation of the European integration processes and use of the EU funds, implies upgrading of the overall coordination of program objectives and activities on the level of the Government, and the institutional capacities for operative planning in the line ministries, with the aim to improve the policy-making process and matching of the Government's priorities with the available funds from the budget and the international assistance. To that effect, it is necessary to improve the capacities of the line ministries, in order to upgrade planning of the priorities, through development of comprehensive and realistic portfolio activity plans, which would ensure successful aligning of the budget programming with the international funds, in accordance with the priorities of the European Partnership and the priorities identified in the national strategic documents.

In the area of the international development assistance management, the objective in the forthcoming period is to improve effectiveness and efficiency of the international assistance in the

following ways: by aligning donor activities with the national development priorities; by upgrading coordination and harmonization of the international assistance; by linking the process of planning and use of the international assistance resources with the budget resources; development and improvement of the capacities in relevant institutions on the republican and local levels for management of the European Union Funds (the financial instrument for the period 2007- 2013 - Instrument for Pre-Accession - IPA), and in particular introduction of a decentralized system for management of these Funds³⁵.

The priority activities in the forthcoming three-year period in the area of programming, coordination and monitoring implementation of the international development assistance include:

- Programming of the EU funds, by issuing guidelines for identification of priorities and defining project proposals, and rendering assistance to the line ministries in their elaboration;
- Delivery of training for successful programming and implementation of the EU funds;
- Support to ministries in the process of international assistance planning;
- Initiation of and participation in identification and introduction of new institutions, development of their capacities, and development of existing institutions' capacities, which is required for implementation of the decentralized system of the EU funds management – Instrument for Pre-Accession Assistance (IPA).
- Continuing implementation of the current programs for cross-border cooperation (Neighborhood Program Hungary-Romania-Serbia and Montenegro, Neighborhood Program Romania-Serbia and Montenegro, Neighborhood Program Bulgaria- Serbia and Montenegro, CADSES and New Program for Adriatic Neighborhood – CARDS Funds for 2005 and 2006) to the effect of inviting tenders for project proposals, training of potential end users on the national and local levels, harmonization of program documents with the new EU financial instrument. In addition, elaboration of new program documents for the period 2007-2013 is under way for all above programs.
- Work on elaboration of program documents and Neighborhood Program with Bosnia and Herzegovina, Croatia and Montenegro.
- Aligning of international assistance with the national priorities.
- Streamlining and development of ISDAKON information system, which records international assistance rendered to the Republic of Serbia.

The Table below shows the priority project proposals, for the period of coming three years, whose implementation will contribute to achievement of medium-term objectives in this area.

Table 14. Priority Projects in the Financial Sector, in the Period 2009-2011

Project Title	Responsible Institution	Estimated Project Value (EUR)	Sources of Financing		Planned Period for Project Implementation
			Internal Resources	External Sources of Financing	
1. Support to national investment planning and implementation	MFIN Sector for macroeconomic and fiscal analysis and projections; Sector for budget preparation; Treasury Administration	1.500.000€	**	CARDS 2006 1.500.000	2009-2011

³⁵ The objective for shift from the centralized to decentralized management of the EU funds is a gradual preparation of the Republic of Serbia to take over the competencies in the EU funds management from the European Commission on the occasion of accession to the EU.

Project Title	Responsible Institution	Estimated Project Value (EUR)	Sources of Financing		Planned Period for Project Implementation
			Internal Resources	External Sources of Financing	
2. Working Framework for public policies coordination in the financial sector	MFIN Sector for Macroeconomic and fiscal analysis and projections; Sector for financial system, Sector for economy and public enterprises; Sector for international financial relations; Secretariat of the Ministry	2.650.000\$	In the first year of the implementation, around 238.150\$	UNDP for the first year of implementation, around 50.000\$	2009-2012
3. Support for the financial administration reform in the Republic of Serbia	MFIN Sector for Fiscal System; Tax Administration	1.500.000 €	**	Government of the Republic of Germany/GTZ 1.500.000€	2009-2011
4. Project against Money Laundering and Terrorism Financing in the Republic of Serbia	MFIN Administration for the prevention of Money Laundering; Tax Administration; Customs Administration; Foreign Exchange Inspectorate.	2.265.000€	Government of the Republic of Serbia 65.000€	IPA 2010 2.000.000€ Council of Europe 200.000€	2010
5. Improvement in Public Investment Management in Serbia	MFIN				proposal
6. Improving the policy of fiscal modeling, policy of salaries and the project planning function at the Ministry of Finance	MFIN Cabinet of the Minister of Finance	4,000,000 EUR	**	SIDA	2009-2012
7. Implementation of the Strategy of the Human Resource Management in the Ministry of Finance	MFIN Secretariat of the Ministry	95.000 €	**	The Kingdom of Netherlands/MATRAFLEX	2008-2009
8. Improvement of the corporative financial reporting	MFIN Sector for the Financial System	250.000\$	**	World Bank	2008-

Project Title	Responsible Institution	Estimated Project Value (EUR)	Sources of Financing		Planned Period for Project Implementation
			Internal Resources	External Sources of Financing	
9. Implementation of the System of the State Aids Control	MFIN Sector for Economy and Public Enterprises	1.500.000€	**	IPA 2008	2009-
10. Strategy of the Ministry of Finance for successful conducting of the process of European integrations	MFIN Sector for international financial relations	252.000€	**	Proposed for the assistance of the Kingdom of Norway	2009
11. Support to further development of Public Internal Financial Control	MFIN Sector for Budgetary Inspection and Auditing	2.000.000€	**	IPA 2008	2009-
12. System of financing salaries of the employees in public sector	MFIN Sector for the budget preparation	1.500.000€	**		proposal
13. Further support for the Implementation of DIS	Sector for the National Fund; Sector for Financing and Contracting of the EU financed programs	3.450.000€	1.000.000€	IPA 2008 2.450.000€	2010-2011
14. Support to the Establishing and Implementation of DIS		1.600.000€	**	IPA 2007	2009-2011
15. Support to programming of the development assistance of the Kingdom of Norway	MFIN Sector for Programming and Management of EU Funds and Development Assistance	133.000€	**	Kingdom of Norway	2005-2010
16. Technical assistance to the Serbian administration in IPA programming and project preparation		2.000.000€		CARDS 2006	2008-2010
17. Technical assistance to the Department for Cross-border cooperation	MFIN - Sector for Programming and Management of EU Funds and Development	252,000 EUR	**		2009-
18. Modernization and upgrading of institutional capacities of the Tax Administration		1.070.000€	**	EAR	2008-2010

Project Title	Responsible Institution	Estimated Project Value (EUR)	Sources of Financing		Planned Period for Project Implementation
			Internal Resources	External Sources of Financing	
19. Introduction of the System for Monitoring and Evaluation of the Development Assistance	Assistance	434.500€	**	Kingdom of Norway	2009-2010
20. Establishing of the first level control and support to the implementation of the cross-border cooperation programs		1.500.000€	**	IPA 2008	2010
21. Support to project preparation and technical assistance for strengthening of the administrative capacities in the Republic of Serbia		5.000.000€	**	IPA 2008	2010
22. Support to project preparation and technical assistance for strengthening of the administrative capacities in the Republic of Serbia	NIPAC (Cabinet of the Vice Prime Minister, Sector for Programming and Management of EU Funds)	6.000.000€	**	IPA 2007	2009-2011
23. Further harmonization of the Serbian regulations on VAT with the acquis communautaire, with particular emphasis to the legislation of the Kingdom of Netherlands	MFIN Sector for Fiscal System		**		proposal

Project Title	Responsible Institution	Estimated Project Value (EUR)	Sources of Financing		Planned Period for Project Implementation
			Internal Resources	External Sources of Financing	
24. Introducing of the system for the synthetic (global) tax introduction for the revenues of physical persons; Drafting of the Law on global taxation system and comparing best practices within the EU			**		proposal
25. Training for the Employees in the Fiscal System Sector			**		proposal
26. Strengthening capacities of the Ministry of Finance for collecting, keeping, monitoring and reporting on international and local economic data	MFIN Sector for macroeconomic and fiscal analysis and projections	49.350£	**	DFID	2009-2010
27. Consolidated Public Revenues - analysis and projections		83.000€	**	Kingdom of Netherlands / MATRAFLEX	2008 -2009
28. First phase of the implementation of the information system for the public finance management - FMIS	MFIN Treasury Administration	15.000.000€	**	EAR	2006-2010
29. Support to the Ministry of Finance – strengthening capacities of the Treasury Administration		2.000.000€	**	IPA 2010	2010-
30. Project on local treasuries		150.000€	**		proposal
31. Registries of concessional agreements, state aids and public enterprises			**		proposal

Project Title	Responsible Institution	Estimated Project Value (EUR)	Sources of Financing		Planned Period for Project Implementation
			Internal Resources	External Sources of Financing	
32. Training for the indirect budgetary beneficiaries (approximately 3.500) for the operations in accordance with the Permanent Treasury System		2.000.000€	**		proposal
33. Improving of the process of budgetary planning			**		proposal
34. Technical assistance for development of the Strategy of Debt Management			**		proposal
35. Integrated system of payments in national currency			**		proposal
36. Improved business reporting and forecasting			**		proposal
37. E-learning					proposal
38. Project on improving of institutional, functional and technical capacities for receiving, registering and transferring finances from international development funds			**		proposal
39. Integrated communications			**		proposal
40. Strengthening capacities for the suppression of the illegal trade with tobacco products	Tobacco Administration		**		proposal
41. Provision of IT equipment	MFIN Foreign Exchange Inspectorate	80.000€	**		proposal
42. Technical assistance and training for the staff		2.000.000€	**		proposal
43. Building administrative capacities of the Customs Administration for the full implementation of the common EU transit procedure (New Computerized Transit System – NCTS)	MFIN Customs Administration	1.500.000€	**	IPA 2007	

Project Title	Responsible Institution	Estimated Project Value (EUR)	Sources of Financing		Planned Period for Project Implementation
			Internal Resources	External Sources of Financing	
44. Harmonization of the Sector for customs legislation enforcement with standards and operational methodology of the EU countries		8.900.000€	4.500.000€	IPA 2008 4.400.000€	
45. Implementation of the integrated customs tariff -TARIS		255.000€	69.000€	Kingdom of Norway 186.000€	
46. Creation of the detailed and reliable reporting system (OLAP) within the Customs Administration		1.000.000€	**		proposal
47. Improving of the System of Risk Analysis		1.000.000€	**		proposal
48. Support for the e-customs development and introduction of the single electronic window system (SEW)		3.000.000€	**		proposal
49. Further development of the education function through initial training of the staff	MFIN Tax Administration	2.000.000€	1.000.000€	IPA 2007 1.000.000€	
50. Contact Center of the Tax Administration		2.700.000€	**		proposal
51. Development of the DIS 2003 system based on new technological platform			**		proposal
52. Tax Administration Portal		1.000.000€	**		proposal
53. Support for the tax collection function		2.000.000€	**		proposal
54. Software for the financial and material operations		1.500.000€	**		proposal
55. Human resources management system		1.000.000€	**		proposal
56. Central tax accounting		800.000€	**		proposal
57. Document Management System in Tax Administration		2.400.000€	**		proposal

Source: Ministry of Finance

* It is necessary to assess the project value and the structure of the source of financing in cooperation with the line ministry and competent institutions

** Part of the funds will be provided from internal sources, and at the moment it is not possible to assess the amount of the funds. Within NIP, it is foreseen that about 43 million euros will be allocated for upgrading of IT capacities of the public institutions in Serbia (e-Serbia), in the period until 2008. A part of these resources will be used for implementation of some of the proposed projects.

3.2. Public Administration and Local Self-Government

Public Administration Reform is a key precondition for successful reforms of other parts of the society and is deeply interlinked with them. Government of the Republic of Serbia adopted the Strategy of the Public Administration Reform (PAR) in November 2004. The Strategy was based on the general principles of the European Administrative Space and the so called „good governance, and the concept of the so called „open government“. The strategic management of the Public Administration Reform was entrusted to the Council for Public Administration Reform, whereas operative management was entrusted to the Ministry of Public Administration and Local Self-Government.

With the aim of further implementation of the Strategy for PAR, in July 2009 Government adopted Action Plan for the implementation of the PA reform for the period 2009-2012. This document outlines the activities in all segments of the Public Administration Reform for the following four years. The Action Plan covers main reform chapters: decentralization, professionalization and depolitization, rationalization, public policies coordination, control mechanisms, e-government and modernization of PA.

In the period 2004 to 2008, the National Assembly passed a set of the key laws: Law on Public Administration, Law on Civil Servants, Law on the Protector of Citizens, Law on Prevention of the Conflict of Interests in Discharge of Public Office, Law on Availability of Information of Public Importance, Law on Electronic Signature, Law on Public Agencies, Law on Salaries of Civil Servants and State Employees, Law on Territorial Organization of the Republic of Serbia, Law on the Capital City, Law on Local Elections, and Law on Local Self-Government, and, one of the very important points - the National Anti-Corruption Strategy was adopted. The Law on Public Administration and Local Self-Government provides for prerequisites for implementation of all key principles of the Strategy of Public Administration Reform in the Republic of Serbia, whereas the Law on Civil Servants governs the status of civil servants and stipulates specific obligations, rights, responsibilities and procedures in related to filling up vacancies and evaluation of civil servants. By this and other laws the relevant legal framework has been established, which provides for development of a professional, depoliticised and decentralized public administration. Creation of the conditions for achieving a modern and rational administration should be synchronised with the process of finalization of the EU accession of the Republic of Serbia, which is of the utmost importance, given that the situation in the public administration will be an important parameter in the negotiations on Serbia's EU membership.

In the precedent period, several reform projects have been implemented in the area of public administration and local self-government, with the donor financial support, and they are listed in the Table below.

**Table 15. Major Projects in the Sector of Public Administration and Local Self-government
Initiated in the Period 2000 – 2008:**

Program/Project Title	Value	Source of Financing	Period of Implementation
1. Assistance to the Government in implementation of the program of democratic reforms	1,000,000 EUR	Kingdom of Norway	2001-2006
2. Development of modern human resources management in the public administration	3,700,000 EUR	SIDA	2002-2006
3. Improvement of capacities for management of the Public Administration Reform	400,000 GBP	DfID	2002-2005
4. Support for enhancing the Ministry of Public Administration and Local Self-Government	1,500,000 EUR	EU	2003-2006
5. Support for enhancing the administrative capacities	609,000 EUR	Government of the Republic of France	2003-2006
6. Support for the Strategy of Public Administration Reform in the Republic of Serbia (second phase)	1,850,000 EUR	SIDA, DfID	2006-2008 (extended until 2009)
7. Implementation of the Reform of Salaries and Ranking in the Public Administration of the Republic of Serbia	2,000,000 EUR	EU	2005-2007
8. Support program for the municipalities in the Eastern	17,000,000 EUR	EU, own funds of local self-government bodies	2003-2006

Serbia			
9. Program for development of the municipalities in the south-western Serbia (PRO –phases 1 and 2)	10,000,000 EUR	EAR, SDC	2006-2009
10. Program for development and recovery of the municipalities in the Southern Serbia (MIR – phase 2)	10,000,000 EUR	EU, SIDA, Kingdom of Norway , ADA, Government of the RS	2005-2008
11. Municipal Support Program, phase 1	3,000,000 EUR	SDC	2001-2004
12. Municipal Support Program, phase 2	5,000,000 EUR	SDC	2004-2007
13. Municipal Support Program for the North-eastern Serbia	20,200,000 EUR	EU	2007-2010
14. Support program for municipalities in Serbia (Exchange 1)	3,900,000 EUR	EU	2004-2007
15. Support for local development	100,000 EUR	Kingdom of Norway	2006-2008
16. Support program for infrastructure of local self-government in the Republic of Serbia (MISP)	3,000,000 EUR	EU, CARDS 2006	2008 – 2010
17. Support for enhancing of the local self-government capacities in the context of the European integrations	200,000 EUR	EU	2008 -2009
18. Training program for local self-government	200,000 EUR	EU	2008 – 2009
19. Modernization of local self-governments (e-administration)	18,000,000 RSD	National Investment Plan	2008 -

Creation of a well trained, responsible and efficient administration will be ensured through implementation of the principle of professionalization. Training and advanced training of staff have been set as priorities in the first stage of the Public Administration Reform. In order to achieve continuity in reforms, it is necessary to establish mechanisms for permanent and continued improvement of civil servants' knowledge level. The most economic way to achieve this goal is establishment of a single training centre for civil servants, which will offer the possibilities for the highest quality level of training. Important contribution to establishment of a modern, efficient, and economical public administration is given by the salary system reform, which has been materialized in the Law on Salaries of Civil Servants and State Employees. The objective of the salary system reform is to establish a fiscally sustainable salary system, within which job would be paid according to the complexity, responsibility, volume and level of contribution to the overall efficiency and results of all public administration bodies. The National Assembly of the Republic of Serbia adopted, in December 2008, the Law on Amendments to the Law on Civil Servants, which provided for extension of the deadline for execution of public advertisements for offices and termination of offices to the civil servants by 31 December 2009. A possibility has been foreseen that the Government, based on the public recommendation, discharges the Protector of the Citizens from state employee duty, in which case he would remain unappointed. The Amendments to the Law stipulate that the Human Resources Management Service is in charge of the organization of professional advanced training of state employees, in particular in the area of combat against corruption.

As for training and advanced training of employees on the local level, certain activities have also been planned. Within the Project „Support to enhancing capacities of local self-government units within the context of the EU integration process“, which is implemented by the Ministry of Public Administration and Local Self-Government, a Strategy for training employees in local self-government units will be elaborated in 2009. Furthermore, through the component of the Support Program to Municipalities, IPA 2007- „Administrative Efficiency“, the initial support will be provided for implementation of the Strategy for training employees in local self-government units and the Action Plan for its implementation. Bearing in mind the importance of enhancing the local self-government units' capacities in the context of the EU integration processes of the

Republic of Serbia, and the timeframe for implementation of the current initiatives concerning this issue, it is necessary to provide additional support to this area in the coming period.

In the domain of exercising citizens' rights, passing of the Law on Associations was accomplished. This Law regulates registering and activities of citizens' associations in line with the European standards. The other Law passed in the Government procedure is the Law on Communal Police which stipulates introduction of communal police, which will contribute substantially to the efficiency and quality of the local self-governments and ensure better communal order in everyday life.

Rationalization implies optimal organization of the public administration, which will render satisfactory services with the minimum number of executors, and reduction of overall operating costs. The basis of implementation of rationalization is a realistic assessment of the necessary number of employees for performing each job, which can be achieved by performing functional analyses (FA) of the public administration bodies. One of the objectives of functional analyses should be clear demarcation of responsibilities and jobs within the public administration bodies, in order to avoid overlapping and determine a necessary number of employees accordingly. In addition, the new organizational arrangements should start from horizontal organizational analysis of offices, structures, procedures and processes on the level of the whole country, and vertical organizational analysis on the level of individual institutions. During 2009, within the project implemented by the Ministry of Public Administration and Local Self-Government, a standardized methodology for performing functional analyses in the public administration bodies was developed and implementation of FA was supported in two ministries.

With the aim of further upgrading of the legal framework for actions of the public administration bodies in administrative matter, and ensuring control of legality and regularity of their work, the Ministry of Public Administration and Local Self-Government will, in 2009, end work on drafting a new Law on General Administrative Procedure, and the Law on Administrative Disputes, which will ensure judiciary control of the administration's work. In addition, according to the Law on the Protector of Citizens, establishment of the Office of the Protector of Citizens will ensure a specific form of external control of the public administration's work. That way, a whole mechanism for control of the public administration's work will be rounded off.

The modernization principle refers to technical and technological streamlining of the public administration bodies' work, with implementation of the state-of-the-art information and communication technologies. To that end, elaboration and use of single databases will be provided and a single communication system among the public administration bodies in the whole territory will be established, by introduction of electronic operations and electronic signature in the work of public administration bodies. Investment into modernization requires substantial financial resources, but its result contributes largely to cutting costs of public administration bodies' work. Introduction of information technologies in the work of public administration bodies on the central and local levels will be effected through forming of a joint information system, as defined in the Draft National Strategy for Information Society Development. Its objective is to provide easier access of citizens to the information and ensure performance of certain concrete deals, increase efficiency at work, with reduced costs. Division of power between the central and local levels of administration is one of important prerequisites for overall democratization of the society. Draft Law on Main Registers provides for regulation of this area on the new foundations, aligned with the needs of the modern public administration, particularly in the sphere of information society. The Law stipulates that excerpts from main registers will not have a limited validity period, and it will be possible to obtain them in any local self-government in the country, irrespective of the place of the main register in which respective records are kept. A preliminary design of a single system of electronic main books has been elaborated. In the process of preparations for the Law enforcement, the Ministry has started to perform the activities aimed at enhancing capacities of the bodies in charge of keeping main registers within the Project "Modernization of Local Self-Governments (e-administration), which is implemented by the Ministry of Public Administration and Local Self-Government in cooperation with the Ministry of Telecommunications and Information Society, and funded by the resources from the National Investment Plan.

Decentralization process will be carried out gradually, both in line with the Strategy of Public Administration Reform in the Republic of Serbia, which defines the basic principles and models of the process of decentralization and fiscal decentralization, and also in line with the legal framework governing this area. The Action Plan for implementation of the Public Administration Reform provides for the analysis of work of the public administration bodies, which will be continued in the future period, aimed at adequate assessment of the capacities on the local level, and implementation of the training strategy. The laws that are aimed at election process reform, which will be finalized in the forthcoming period, are the Laws on Local Elections, National Electoral Committee and Electoral Roll, and the Law on Political Parties was adopted. The objective of this set of laws is to create more direct relations between the voters and elected persons and professionalization of the whole election process. In addition, in 2009, elaboration of the Draft Law on Labour Relations in the public administration units and territorial autonomy bodies has been planned, which will govern more closely rights, obligations and responsibilities of employees in the

public administration units and territorial autonomy bodies, observing the principles of professionalization, depolitization, rationalization and modernization, aimed at higher work efficiency.

The biggest challenge in the coming period will be implementation of all current and new regulations and strategies. For their implementation, it is necessary to speed up particular forms of training, intensify coordination among ministries and among different levels, improve work of inspection bodies, and ensure political will. In their work, public administrations have to abide by the European principles, and these are: legitimacy and predictability (legal protection), which is based on legality and impartiality; openness and transparency (allowed exceptions are national security and personal data security); efficiency (responsible spending of public resources); and successfulness (achievement of goals provided for in the laws). A potential conflict between efficiency and the rule of law, on one hand, and legality, on the other, has to be solved by separating the role of decision-maker and the role of implementer, as PA functions; that way, the administration will make public policies and perform supervision, whilst their implementation is transferred on contracted implementers.

To summarize, in the coming medium-term period, the Ministry of Public Administration and Local Self-Government, will work on implementation the following objectives:

- Implementation of the activities within the competencies of the Ministry, specified in the Action Plan for Implementation of the Strategy for Public Administration Reform in the period 2009-2012;
- Creation of the conditions for improved functioning of the public administration bodies and local self-government units;
- Upgrading of the level of exercising the citizens' rights within the competence of the Ministry;

To respond successfully to the above challenges, implementation of several programs and projects has been foreseen in the forthcoming period, and they are shown in the Table below, whereby for some of them the resources have been provided, and for the others relevant resources are yet to be provided.

Table 16. Priority Projects in the Sector of Public Administration and Local Self-Government, Which are Expected to be Initiated in the Period 2009-2011

Program/Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Financing		Planned Time for Start of Project Implementation
			Internal sources	External Sources of Financing	
1. Support for further improvement of the professional training of civil servants	MPALSG	360.000€	-	Kingdom of Norway	2009
2. Support for the PAR implementation – phase 3	MPALSG	(project value yet to be estimated)	-	Kingdom of Sweden	2010
3. Support to local communities in undertaking social inclusion	Competent PA bodies	1.283.536€		Kingdom of Norway	2009
4. Data base on competences delegated to register books	MPALSG	300,000 RSD	300,000 RSD	-	2009
5. Organization of seminars for registrars	MPALSG	300,000 RSD	300,000 RSD	-	2009
6. e – register of political parties , and e-records on territorial – organizational units of political parties	MPALSG	300,000 RSD	300,000 RSD	-	2009
7. e- records on stamps	MPALSG	300,000 RSD	300,000 RSD	-	2009
8. e- register of associations, e-register of foreign associations, e-records on associations registered in the associations' register, kept by the competent body of the autonomous province	MPALSG	300,000 RSD	300,000 RSD	-	2009

9. General plan for settlements on the web (for the settlements Pecinci, Kovacica, Despotovac and Majdanpek)	MPALSG	22,620,000 RSD	22,620,000 RSD (NIP)	-	2009
10. System of electronic management of municipal documentation (Novi Becej, Coka, Bac, Batocina. Cicevac)	MPALSG	12,500,000 RSD	12,500,000 RSD (NIP)	-	2009
11. Support program for infrastructure of local self-government in the Republic of Serbia (MISP)	MPALSG	55,400,000	10,000,000	45,400,000 (EU – IPA 2008)	2010
12. Establishment of a single system of e-main registers	MPALSG	498,000,000 RSD	348,600,000 RSD (NIP) + 149,400,000 RSD	*	2009
13. Electronic exchange of data about citizens	MPALSG	41,000,000 RSD	41,000,000 RSD (NIP)	*	2009
14. Single electoral roll	MPALSG	157,000,000 RSD	109,900,000 RSD (NIP) + 47,100,000 RSD	*	2009
15. Municipal Infrastructure Support Program in the Republic of Serbia (MISP)	MPALSG	*	*	40,000,000 (EU IPA 2009)	2011
16. Support for implementation process of public administration reform	MPALSG	3,000,000	*	* (EU IPA 2009)	2011
17. Support for enhancing capacities of local self-government units in the Republic of Serbia	MPALSG	3,000,000	*	* (EU IPA 2009)	2011

Source: Ministry of Public Administration and Local Self-Government.

* It is necessary to assess the project value, and the structure of the source of financing in cooperation with the line ministry and responsible institutions

3.3. Economy and Regional Development

Economy

In the last period, the Ministry of Economy and Regional Development and the Privatization Agency have implemented successfully the important reform tasks. Namely, in the period 2002 – 2008, 1,969 companies were privatized, 99 of them by public tender and 1,870 by public auction, whereas the Share Fund sold the share packages in 1,272 companies. The financial result was the revenue of nearly 2.9 billion euros, 1.34 billion euros was provided for investments and 279 million euros for the social program. Out of the total number of companies sold by public tender, contracts were terminated with 10 of them, whereas with the companies sold by public auction, 308 contracts were terminated.

In addition, restructuring of big socially-owned companies with substantial operating and financial problems is in the final stage. For many years, these were the money losing companies, with enormous debts, often with negative capital, and a lot of redundant workers. They survived in the period of transition owing to the «soft» budget constraint, i.e. state subsidies and melting of the companies' capital, which was the reason for their restructuring before privatization. During seven years of transition «tough» budget constraint was not introduced for all companies from the group for restructuring.

Passing of the Law on Bankruptcy, in 2005, created preconditions for a change in the policy towards the socially-owned companies with insoluble financial problems. Consequently, the Privatization Agency was appointed the receiver of 463 state-owned and socially-owned companies. In 162 cases until now, the property of the bankruptcy debtors was fully marketed, whereas with 133 bankruptcy debtors, only a part of their property was sold.

According to the Amendments to the Law on Privatization, from December 2007, the deadline for completion of socially-owned companies' privatization was extended until 31 December 2008, stricter rules were introduced with respect to the possibility of natural persons to participate in the privatization procedure, the procedure for preparation of documents for auction privatization was simplified, and the institute of forced liquidation was introduced for socially-owned companies, which are not privatized within the deadline after three attempts.

Currently, several hundreds of companies are in the portfolio of the privatization Agency, out of which:

- 77 companies are in tender procedure,
- 700 companies in the portfolio of auction privatization, out of which about 440 socially-owned companies, 197 state-owned companies (veterinary stations, local media, and newspapers, and the companies founded after separation of "non-core" activities from big systems), as well as 60 companies in which the privatization process was suspended, with the aim to identify a part of the state-owned property;
- 710 companies in the portfolio of the capital market, out of which 320 companies with the minority parcel of shares, and 150 with the majority parcels in the privatized companies, after termination of the contracts, and 240 companies with the minority stocks (0.01-3%) that remained after the auction privatizations.

Privatization of the socially-owned companies will be continued at a faster pace, which is aimed at greater contribution to development and increased efficiency of the domestic economy, higher investments into new production technologies and better export results.

Preparation of the state-owned companies for privatization will also be intensified with their restructuring (reorganization, financial consolidation, solving redundancy) and the change in the legal framework in order to enable privatization of these companies.

As for big systems, it should be mentioned that the process of adoption of the Strategy for JAT Airways Privatization is in the final stage, and that the public invitation to tender will be published in May 2008, according to the plan. Completion of the airline company privatization procedure is expected in the second half of 2008.

In addition, the Strategy of Oil Industry of Serbia has been adopted, but currently direct negotiations are carried out with the interested investors, without participation of the Privatization Agency.

For the remaining big public companies of the Republic of Serbia (EPS, PTT, "Nikola Tesla" Airport ...), in the majority of the cases, "non-core" activities were separated, and the capital was transferred to the Republic of Serbia, with which the conditions were met for initiation and implementation of the privatization process. Until March 2008, out of the total number of companies, the Privatization Agency privatized by public auction 12 companies, and it sold 3 companies by public tender. The privatization procedure for another 35 companies is in progress, out of which 29 companies are in the portfolio for public auction privatization, and 6 companies will be privatized by public tender method.

Introduction of the method of initial public offering of shares in privatization of big state systems, such as Telekom, EPS, Galenika and "Nikola Tesla" Airport, will ensure growth of the companies with a strategic investor, high quality investment and the social program.

With passing of the Law on Right to Free Shares and pecuniary remuneration to which citizens are entitled in the privatization process, the conditions have been met for inclusion of the entire public community in development of the capital market in Serbia. This will be achieved in the way that each citizen will receive equal number of shares in each of six large state systems.

In addition, in the first quarter of 2008, the Ministry of Economy and Regional development initiated privatization of 13 specialized hospitals, which are 100% owned by the Republic of Serbia. In March 2008, the Privatization Agency started the procedure for public procurement of consulting services for privatization of these specialized institutions.

In the Conclusion dated 2 August 2007, the Government of the Republic of Serbia instructed the Ministry of Economy and Regional Development to form a working group, which will, by 30 September 2008 at the latest, perform the analysis of the situation in the local utility companies and propose a model for their restructuring, which will be the basis for elaboration of a Strategy for Privatization of Public Utility Companies. This way, relevant institutional environment will be completed, and in parallel with the privatization activities on reorganization, separation of non-core activities, reduction of number of employees, various forms of cooperation with the private sector will be developed, on the basis of contracting of works, giving concessions, and enhancing competition in this sector of the economy.

Majority of the projects, implemented under the auspices of the Ministry of Economy and Regional Development in the last period, was focused on development of SMEs and entrepreneurship, higher competitiveness of companies, support for the privatization process, restructuring of the socially-owned companies, capacity building of the institutions involved in the above processes, and credit support through the Development Fund and the programmes for revival of the economy in certain regions.

Table 17. Major Projects in the Sector of Economy, in the Period 2000- 2007

Project/Program Title	Value	Source of financing	Implementation period
1. Project on allocation and use of resources for credit support to the economy through the Development Fund of the Republic of Serbia	30,000,000 EUR annually	Budget	2002-
2. Program for allocation and use of resources for crediting lease of domestic machines and equipment	10,000,000 EUR annually	Budget	2003-
3. Program for use of resources for fostering regional development, i.e. crediting fostering of employment and revival of production in the town of Kragujevac, and the Municipalities Bor and Vranje, and 13 least developed municipalities	10,000,000 EUR annually	Budget	2005-2006
4. Program for allocation and use of resources intended for micro credits for employment programs	10,000,000 EUR annually	Budget	2005-
5. Elaboration of the National Strategy for Economic Development of RS, 2006-2012.	80,000 EUR	Budget	2006
6. APEX Loan for SMEs	65,000,000	EIB	2002-
7. Pilot project for competitiveness and economic efficiency		USAID	
8. „SEDP” Project	*	USAID	2003-2007
9. Promotion of private sector and employment in the Republic of Serbia	**	GTZ	2003-2010
10. „ENTRANSE”- Support project for development of business incubators in the Republic of Serbia		Government of the Kingdom of Norway	
11. Support for the privatization Agency		EU	2003-
12. Project for procurement of metrological equipment for the Directorate of Measures and Precious Metals	1,700,000 EUR	EU resources, CARDS '06	2008

*Local partner SIEPA (Serbian Investment and Export Promotion Agency). Planned period of project implementation: July 2003 - April 2007

**Local partner SCC (Serbian Chamber of Commerce). Planned period of project implementation: September 2003-December 2010

Table 18. Priority Investment Projects in the Area of Economy, in the Period 2009-2011

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Financing		Planned Period for Start of the Project Implementation
			Internal Resources	External Sources of Financing	
1. Elaboration of privatization program for the remaining socially-owned companies	MERD				2008
2. Completion of ownership transformation procedure, by sale of the remaining part of the socially-owned capital transferred to the Share Fund of the Republic of Serbia	MERR				2009
3. Sale of shares from the Share Fund portfolio by the end of 2009, for 150 companies	MERR				2008 2009
4. Distribution of free shares to citizens, registered in the Privatization Register	MERR				2008 2009 2010
5. Elaboration of the Programme for partial privatization of NIS	MERR				2008
6. Elaboration of the programme for partial privatization of JAT, by the end of 2008	MERR				2008
7. Elaboration of the privatization programme for 500 companies in the public utility sector, in cooperation with other competent ministries, by 2011	MERR				2008 2009 2010
8. Project for elaboration and implementation of the restructuring program	MERR				2008
9. Review of the final list of socially-owned companies that are not in the privatization procedure	MERR				2008
10. Incentives for linking of companies and creation of clusters	MERR	900,000 900,000 900,000	630,000* 630,000* 900,000	270,000 270,000	2008 2009 2010
11. Drafting of the Law on Optical Discs	MERR	10,000			2008
12. Drafting of the Law on Undisclosed Information	MERD	10,000			2008
13. Creation of the legal and institutional framework for efficient performance of accreditation activities (including funding of ATS work)	MERR	262,400 260,000 250,000	262,400 262,000 250,000		2009 2010 2011
14 upgrading of standardization (including funding of ISS work)	MERR	1,873,000 2,300,000 2,600,000	1,873,000 2,300,000 2,600,000		2009 2010 2011
15 upgrading of methodology (including IT system for measurements devices and accreditation of laboratories (Directorate of Measurement and Precious Metals)	MERR	200,000 200,000 200,000	41,200 42,100 42,100		2009 2010 2011

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Financing		Planned Period for Start of the Project Implementation
			Internal Resources	External Sources of Financing	
16 Upgrading of legal and institutional framework for adoption of technical regulations and establishment of functional databases in the area of technical legislation	MERR	60,000 50,000 40,000	60,000 50,000 40,000		2009 2010 2011
17 Elaboration of technical regulations / transposing of the EU Directives	MERR	220,000 260,000 315,000	220,000 260,000 315,000		2009 2010 2011
18 Technical Assistance to Quality Infrastructure / CARDS 2006	MERR	1,200,000		1200,000	2009 2010
19 Project for upgrading technical requirements and conformity assessment (TOU) IPA 2008	MERR	1,200,000		1,200,000	2010
20 Project for enhancing market supervision for food and non-food products – Project proposal for IPA 2009	MTU (MERR MPSV, MZ)	3,500,000		3,500,000	2012
21 Project for allocation and use of resources for credit support to the economy via Development Fund	MERR	34,286,000 32,000,000 32,000,000	34,286,000 32,000,000 32,000,000		2008 2009 2010
22 Programme for fostering employment by granting loans to legal persons and entrepreneurs	MERR	22,857,000 22,857,000 22,857,000	22,857,000 22,857,000 22,857,000		2008 2009 2010
23 Programme for use of resources for fostering regional development in the towns Kragujevac, Bor and Vranje and 13 most underdeveloped municipalities	MERR	39,000,000 33,000,000 33,000,000	22,000,000 22,000,000 22,000,000	17,000,000 11,000,000 11,000,000	2008 2009 2010
24 Programme for allocation and use of resources for crediting leasing of domestic machines and equipment (Funds foreseen from other sources are not shown herein, since they are not recorded on the Treasury consolidated account, according to the programme)	MERR	14,286,000 17,143,000 17,143,000	14,286,000 17,143,000 17,143,000		2008 2009 2010
25 Programme for crediting unemployed natural persons, redundant workers, and innovators, through granting micro credits for self-employment (for 2007, NIP, for 2008 and 2009 from RS budget)	MERR	7,285,000 7,285,000 7,285,000	7,285,000 7,285,000 7,285,000		2008 2009 2010
26 Programme for crediting to foster investments and increase employment in undeveloped regions (for 2007 NIP, for 2008 and 2009 from RS budget)	MERR	12,628,500 NIP 12,628,500 12,628,500	12,628,500 NIP 12,628,500 12,628,500		2007 2008 2009
27 Programme for forming industrial zones and parks (for 2007 NIP, for 2008 and 2009 from RS budget)	MERR	39,256,000 NIP 34,286,000 22,857,000	39,256,000 NIP 34,286,000 22,857,000		2007 2008 2009

Industry

In the period 2009/2011, active industrial policy will be lead, and it will be focused on structural adjustments of the industrial sector as a whole, and individual industry branches, with the aim to form efficient and competitive industry structures, integrated into the European development trends, and responsible for its alignment with the environmental quality standards. The main strategic goal of Serbia is to adjust its industry to the single European Union market so that it can cope with the competitive pressure of its members. Long-term dynamic economic growth and macroeconomic stability of Serbia are not sustainable without a stable industry growth, its dominant influence on export, and thereby on payment balance. Industrial policy received a new dimension within the context of the global financial and economic crisis.

In the so far process of industry transition, the gravest impact was made on the former industrial centres, promoters of overall development of the municipalities, and the wider region. The inherited industrial giants of the Serbian economy are large, inflexible system with technologically obsolete facilities and uncompetitive products, which employ a great number of economically active people. With their collapse in the transition process, many citizens lost their jobs.

The task of the state is to lead active industrial policy focused on structural adjustment of the industrial sector as a whole, and on certain individual industry branches. To that effect, on 27 March 2008, the Government adopted the Information on the situation in certain industry branches (hereinafter: Information). The objective of the Information was to consider current situation, in order to adjust industrial structures to the contemporary market trends, through numerous focused and coordinated measures and incentives aimed at creation of the state-of-the-art, developed and competitive industry integrated in the European development trend, with a substantial share of high-technology branches of industry. Moreover, it enables a planned and coordinated approach of the line ministries, by focusing measures and incentives on the branches with strategic importance for the country, in which the Republic of Serbia could develop international competitive advantage, and that will contribute to the overall economic development of the Republic of Serbia.

The main objectives if the industrial policy, whose implementation should also involve other sectors and portfolios, are the following:

- Growth of industrial production and its share in the structure of the economy;
- Structural changes aimed at growth of the propulsive industries;
- Higher employment in industry;
- Higher competitiveness;
- Higher export.

In the coming period, three sectors of manufacturing industry will have the priority in the industrial development:

- Manufacturing of motor vehicles and components;
- Manufacturing of electronic equipment (radio, TV and telecommunication equipment);
- Information technologies.

Pursuant to the objectives defined in the Strategy for Reducing Poverty, Memorandum of Budget and Economic and Fiscal Policies for 2009, with the projections for 2010 and 2011, and the National Strategy for Economic Development of Serbia, for the period 2006-2012, it is necessary to continue implementation of the program of credit support to the economy, with the aim to provide accelerated and efficient continuation, i.e. completion of the initiated processes of company restructuring and privatization in all branches of the economy, to ensure continuing industrial production growth and export, to increase productivity in industry and attractiveness of companies for completion of the privatization process.

In addition, it is necessary to continue implementation of the Government's Programme for Crediting Leasing of Machines and Equipment, which has been implemented since 2003, and which is in the function of increased sale of primarily domestic machines and equipment, with the aim to renew obsolete machines and equipment, and to foster new employment, particularly in SMEs.

Table 19.

Project Title	Responsible Institution	Estimated Project Value (in RSD)	Data on Sources of Financing		Planned Period for Start of Project Implementation
			Internal Resources	External Sources of Financing	

1. Programme for allocation and use of resources for credit support to the economy through the Development Fund	MERR	2,950,000,000 2,500,000,000	2,950,000,000 2,500,000,000		2009 2010 2011
2. Programme for allocation and use of resources for crediting leasing of machines and equipment	MERR	1,200,000,000 1,200,000,000 1,200,000,000		1,200,000,000 1,200,000,000 1,200,000,000	2009 2010 2011

Concessions

Law on Concessions („Official Journal of RS”, No. 55/03) broadened considerably the area of investment opportunities in the Republic of Serbia. Concessions essentially constitute the investments into domestic economy according to the legal procedure that provides for equal conditions for all potential investors (domestic and foreign) through partnership with the public sector. Concession, in the spirit of this law, is also a concession according to *B.O.T.* system (*build-operate-transfer*), including all forms of this system, which is based on construction or reconstruction and financing of a complete structure, device or plant, its operation and transfer to the Republic of Serbia within the contracted period.

This Law provides for the possibility of investing via granting concession in different areas, for the maximum period of thirty years, which, along with the Law on Foreign Investments constitutes a framework for inflow of new investments into the domestic economy. In the domestic economy, subdued to the reform with the aim to establish the market-operating mechanisms, the substantial changes take place, in parallel, through the advanced stage of privatization and company restructuring. Apart from the classical advantages in solving the problems of infrastructure, employment and budget revenues, the potential of concessionary investments contributes to a great extent to improved quality and cost of services, through enhanced competitiveness of entities participating in market competition. .

- Depending on the scope of concession agreement, the responsibilities are shared among several ministries. The new Draft Law on Concessions, whose design is still under way, stipulates forming of a relevant body on the inter-ministerial level, i.e. a commission whose responsibility would be the Law enforcement.
- Forming of a relevant commission, which would be in charge of drawing up project reports, analyses and studies that serve as a professional basis for upgrading and implementation of concession-related policy, then administrative and professional supervision of implementation of the concession agreement, and constant communication with current and potential concessionaires.
- Preparing and publication of a concession manual, which would underscore relations between different laws, whose implementation is necessary in preparation of proposals for concession granting, and during implementation of the concession project.

Quality Infrastructure and Technical Regulations

With the aim to create conditions for enhancing competitiveness of the Serbian economy, and alignment with the EU legislation and the World Trade Organization rules, the Ministry of Economy and Regional Development undertook to upgrade the legal and institutional framework for standardization,

accreditation and metrology, by prescribing the technical requirements and conformity assessment with the prescribed technical requirements.

In 2008, within upgrading of the legal framework in this area, Draft Law on Standardization and Draft Law on Technical Requirements for Products and Conformity Assessment of Products were elaborated and the Government adopted them at the end of 2008. Both Draft Laws were forwarded to the Parliament for adoption by urgent procedure. The new Law on Technical Requirements for Products will be the basis for efficient transposition of the requirements from the European Technical Directives (new and old approach), but in the same time, the basis for adoption of the national technical regulations for products not included in the harmonized documents on the EU level. This Law will also clearly define the authorities for elaboration and adoption of the technical regulations. The new Law on Standardization will enable faster adoption of the European standards and establishment of the Institute for Standardization of Serbia, in line with the rules of the European standardization, by which the preconditions for fulfilment of conditions for full membership in the European standardization organizations will be met. In 2008, ISS transposed about 3,000 European standards, and by 2012, transposition of the remaining 80% of all European standards will be performed. The new Law also enforces the role of all interested parties (particularly economic entities) in creation and implementation of the standard-related policies.

In 2009, drafting of the new law on metrology and the law on accreditation will be approached, and also preparation and adoption of the new bylaws for implementation of the four above mentioned laws.

At the end of 2008, the Government adopted the Action Plan for elaboration of technical regulations, with the measures for their implementation, and formed the Coordinating Body for Implementation of the Action Plan. The main goals of the above Action Plan are to establish a register of all technical regulations, to review the relevant prevailing technical regulations and establish the authority for their implementation, and to adopt the programme for abolition of standards with obligatory implementation, so as to meet the conditions specified in the Agreement on Technical Barriers to Trade, within the process of accession of Serbia to the World Trade Organization.

The activities were initiated on adoption of the European directives and, according to the National Programme for Integration of the Republic of Serbia to the EU, they will be carried out until 2012.

In respect of development of an institution for quality infrastructure development, it is necessary to underscore that, in 2007 and 2008, establishment of the national institution for standardization and accreditation was completed on the level of the Republic of Serbia, to the effect that the Institute for Standardization of Serbia and the Accreditation Body of Serbia were fully transformed from the public administration bodies (which was their status on the level of the State Union before 2006) to non-profit, independent organizations / institutions whose founder is the Republic of Serbia.

All the above activities on upgrading standardization, accreditation and metrology, i.e. on prescribing the technical requirements for conformity assessment of the prescribed requirements, are carried out in compliance with the defined short-term and long-term priorities stipulated in the European Partnership and the National Programme for Integration of the Republic of Serbia to the EU. The priorities of the European Partnership in the area of free movement of goods, reading as follows: *„to continue alignment of the laws governing standardization, attesting, metrology, accreditation and conformity assessment with the European standards will; to continue adoption of the European Standard, and to establish a national coordination body for quality infrastructure, responsible for upgrading of this entire area”*, constitute in the same time the medium-term objectives in the area of quality infrastructure which have to be achieved by 2011.

Upgrading of International Economic Relations

In the area of international economic relations improvement, this part will cover foreign investment attraction, bilateral economic relations, multilateral and regional economic and commercial cooperation, with a special accent on accession to the World Trade Organization (WTO), then foreign trade policy and regime, international development aid, and a part of foreign investment-related activities.

The activities on upgrading international economic relations imply a high level of inter-sectoral cooperation and coordination, and an active role of the Ministry of Economy and Regional Development in elaboration of inter-sectoral and strategic documents, by providing international support for implementation of the national development priorities.

The institutional framework for activities in this area includes the Ministry of Economy and Regional Development, Serbian Investment and Export Promotion Agency, Agency for Export Insurance

and Financing, and numerous Government commissions formed with the aim to coordinate cooperation among the sectors and make decisions on special issues: the Commission for Fostering Investments in the Economy of the Republic of Serbia, Commission for Programming and Management of the EU Funds and Development Aid, Commission for Coordination of Negotiation Processes for Accession to the World Trade Organization.

Negotiations and procedures for conclusion of bilateral agreements on economic, commercial and scientific and technical cooperation, then agreements on mutual fostering and protection of foreign investments, and the activities relating to monitoring implementation of all mentioned agreements, are carried out by joint committees and commissions and *ad hoc* working groups, formed for concrete areas of cooperation.

Systemic laws in this area are the Law on Foreign Investments and the Law on Foreign Trade Transactions.

The Republic of Serbia has signed more than 40 bilateral agreements on mutual fostering and protection of investments with different countries. This kind of agreements is in force with almost all EU countries, with the Russian Federation and the People's Republic of China, then with all neighbouring countries and the former Yugoslav Republics, and a number of the African and Asian countries. According to the bilateral agreements on mutual fostering and protection of investments, foreign investors are guaranteed fair, equal and non-discriminatory treatment, in particular, national treatment and most favoured nation treatment, and implementation of international arbitration in case of disputes. In addition, they are protected against eventual expropriation or other similar measures of the state.

After the delays caused by redefinition of the relations between Serbia and Montenegro, the WTO accession process was intensified in the period 2005-2009. The negotiations for membership in this Organization, and the overall activities on alignment with the WTO rules and regulations have been in progress, and the membership is expected in 2010. Membership of the Republic of Serbia in the World Trade Organization will have a positive impact on the economic growth, falling of prices of certain products, better access of Serbian products and services to the world market, transparent and guaranteed conditions, reintegration of the Republic of Serbia to the important institution within the UN system and creation of the positive image of the Republic of Serbia.

By signing of the bilateral Free Trade Agreements, under the auspices of the Stability Pact for South-Eastern Europe, foreign trade of goods among seven countries in the region was liberalized. In 2007, the liberalization process moved one step forward, and seven signatory countries from the region, including Serbia, signed and ratified a single Central European Free Trade Agreement (CEFTA). Creation of a free trade zone in the region has been foreseen until 2010, and it implies liberalization of the services market.

In the last period, certain activities have been supported by different forms of technical assistance, which were financed by international organizations. The forms of technical assistance are different, and they include engagement of experts for elaboration of action plans, situation analyses, alignment of regulations with the WTO rules, upgrading of work of institutions, and different seminars and training courses. Elaboration of the above documents and their implementation, as well as training and advanced training of employees should necessarily become a continuing process, aimed at continued improvement of the level of public administration capacities, and ensuring implementation of the reforms. In this connection, the reform process in the Republic of Serbia underscores the importance of qualifications of the staff rendering technical assistance, and of adequate human resources on the side of beneficiaries.

Table 20. Major Projects that were Completed, and those in Progress, in the Area of Upgrading International Economic Relations (2001- 2009):

Programme/Project Title	Value	Source of Financing	Period of Implementation
1. Technical assistance in the process of accession to the WTO	4,250,000\$,	USA	2001
2. Trade policy and strategy for accession of the Republic of Serbia to the WTO	491,000€	Switzerland	2004
3. Export Development Programme, which was focused on capacity building for promotion of export of SIEPA , in two grant schemes for non-repayable financial aid for exporters, for 1) individual export-promotional activities and 2) group promotion at fairs by way of national stands	€2.5 million	EAR (CARDS)	2003

4. Serbia Investment Promotion Programme/ SIPP, which deals with upgrading of the SIEPA capacities and the support for numerous investment-promotional activities	€4.5 million	EAR (CARDS)	2004
5. PLAC – Policy and Legal Advice Centre	A part of CARDS programme in total amount of 1.5 million EUR intended for support for the process of accession to the EU and WTO Fund beneficiaries were Serbia's European Integration Office and MERR		
6. Within the CARDS Programme, a Twinning Program for Accession to WTO was initiated	1.5 million EUR for 2008 and 2009		2008 and 2009

To ensure full contribution of the government institutions to the process of integration of the Republic of Serbia into the European Union, it is necessary to support further strengthening of the total capacities of the government institutions. The importance of strengthening of the specific administrative capacities dealing with the EU integrations is clearly expressed in the defined short-term and medium-term priorities of the European Partnership, and the priority strategies of the line ministries. In this connection, it is necessary to ensure continuing development of all structures dealing with the European integrations and to establish mechanisms for their cooperation in the coming period. Upgrading of the capacities for implementation of the European integration processes, and use of the European Union funds, implies improvement in overall coordination of the programme goals and activities on the level of the Government, and the institutional capacities for operative planning in line ministries, with the aim to improve the process of policy-making and matching of the Government's priorities with the available budget funds and international aid. To that effect, it is necessary to upgrade the capacities of the line ministries, with the aim to upgrade planning of the priorities, through the elaboration of comprehensive and realistic departmental plans of activities, which would ensure successful alignment of the budget programming with the international funds, in compliance with the European Partnership priorities and the priorities stipulated in the national strategic documents.

Two processes that go on simultaneously – the process of accession to the World Trade Organization and the process of the EU accession constitute a framework for development and keeping of the export-oriented concept for development of the Republic of Serbia. In this connection, it is necessary to continue the reforms, with the aim to align with the rules and obligations towards the WTO, in order to accelerate the process of accession to this organization.

The fact that the EU is today the most important foreign trade partner to the Republic of Serbia, and that this relation will strengthen further in the coming years, with the development of the EU accession process, requires from the Republic of Serbia to have a steady, competitive economy, as one of the major prerequisites for coping with the pressure of competitors and market forces within the EU. This is particularly important in view of the EU enlargement to 27 members, and the prospects of its further enlargement. Such a development in the direct neighbourhood, imposes the necessity of finding niches in the EU market, which on the other hand requires enhancing of local production competitiveness in the function of goods and services quality development, which can be verified globally, and which increases export. The foreign trade policy will primarily have to be defined with the requirements that will be imposed by the establishment of the free trade zone with the EU, in the context of the Stabilization and Association Agreement. In this connection, it is necessary to continue the required harmonization of the foreign trade regime and make it compatible with the autonomous trade measures, the WTO rules and the Stabilization and Association Agreement.

In addition, one of the priority goals in the coming medium-term period is to develop and upgrade the economic cooperation in the region, with the CEFTA signatory countries, and to support the work of

the CEFTA Secretariat. Moreover, new agreements on mutual fostering and protection of investments will be negotiated and implemented and the former ones will be revised.

Foreign investments to the countries in transition and undeveloped countries are the main source of their economic development, growth of revenues, modernization of the economy, creation of new jobs and, consequently, reduction of poverty. Adoption of the Strategy for Foreign Investments Fostering and Development is only the first step on this way. The Strategy includes creation of favourable conditions for domestic and foreign investment, i.e. provision of an attractive framework for attraction, keeping and expansion of internationally competitive and export-oriented investments, which will upgrade and stabilize business environment, improve the technologically obsolete economy, ensure competitiveness and export capacity and increase employment in the Republic of Serbia. For its implementation, it is necessary to carry out the relevant reform of the regulations, upgrade institutional capacities, create conditions for enhancing competitiveness and invest in internal and external marketing campaign, perform the land reform (restitution, and privatization of urban construction land), improve the procedure of issuing building permits, and spatial and urban planning, reform education in conformity with the labour market requirements, economic development and requirements of foreign and domestic investors, in order to ensure attractive business climate for new investors.

The Government works continuously on adoption and implementation of measures for upgrading the investment climate in the country. Some of the measures in the forthcoming period will include:

- Passing of the Law on Local Self-Government Property, which will enable the municipalities to become the owners and dispose of immovable property on their territories; and passing of the new Law on Financing Local Self-Government, which will provide for fiscal decentralization, and encourage fiscal competitiveness among the municipalities;
- Completion of the Cadastral Records of the Republic of Serbia, based on the project initiated in 2003 with the donor support, which is scheduled within 5 years; in addition, it is necessary to compile a statistical database on land available for building and development of production and service activities.
- Implementation of the Law on Arbitration, which will provide, in a simple and comprehensive way, recognition and execution of the International Arbitration decisions, and which governs arbitration procedure for the Courts of Arbitration seated in the Republic of Serbia, unless the parties decide to implement different rules and procedures;
- Adoption of the Decree on Industrial and Technological Parks. The objective is to build the facilities (halls) with full infrastructure in the industrial and technological parks, which would be either leased or sold to domestic and foreign investors;
- Promotion of concessions, as the form of cooperation of private and public sectors in a wide range of areas, and establishment of a relevant body on the international level, with the aim to identify priorities, develop activities and make plans for the entire areas of concessions; in view of the fact that a great number of concession agreements is expected, it is necessary to establish a relevant administration for concessions, in charge of elaborating reports, analyses and studies, which will serve as a professional basis for upgrading and implementation of the concession-related policy;
- Passing of the Law on Fostering Equal Regional Development of the Republic of Serbia.

Since attraction of new foreign investments and increased export of domestic companies were identified as the priorities of the Republic of Serbia from the beginning of the reform process, the Government of the Republic of Serbia established, in 2001, Serbian Investment and Export Promotion Agency (SIEPA). SIEPA, as a specialised Government service, which has been functioning for seven years, with the mandate to promote Serbia as an investment destination, and attract foreign direct investments to the RS, and to help foreign investors in implementation of their investment projects. It also deals with strengthening of the domestic companies capacities, with the aim to enhance their competitiveness on foreign markets, and with promotion of Serbian products on foreign markets, in order to increase export.

Within its activities and with the aim to attract foreign direct investments, SIEPA annually participates in dozens of investment conferences abroad, promotes Serbia by presenting investment opportunities on the national stand in the most important fairs of real estate and investments in Europe, responds to more than 1,000 enquiries of potential foreign investors, organizes over 50 visits of potential investors, and publishes about 20 different publications intended for investors in several foreign languages (English, French, Spanish, Russian, Italian, Japanese, Greek, etc.).

MERR and SIEPA implement jointly the Programme of Attraction of Foreign Direct Investments, which has been implemented since 2006, based on the Decree on Conditions for and Modes of Attracting Foreign Direct Investments („Official Journal of the RS", Nos. 56/2006 and 50/2007) using the NIP funds. Since 2009, these funds have been paid from the allotment of the Ministry of Economy and Regional Development. So far, more than 30 million euros were allotted (but not disbursed) to 66 companies, which will invest around 430 million euros and create 13,600 jobs.

In order to enhance competitiveness of Serbian companies, and promote Serbian products and services on the foreign markets, SIEPA organizes annually participation of Serbian enterprises on the national stands on 15 international specialized fairs abroad, renders professional services through training and direct consulting of potential and current exporters, finds business partners to Serbian companies abroad, and publishes 30 different publications intended for exporters and promotion of the Serbian economy.

According to the Decree on Conditions and Methods of Company Internationalization („Official Gazette of the RS“, No. 22/08), since 2006, SIEPA has been allotting to the SMEs non-repayable financial aid from the budget of the Republic of Serbia, in the value of 50% of approved expenses for new market research, independent exhibition in international fairs abroad, new product design, new packaging design, introduction and certification of new standards, new promotional material and costs of international legal patent and trademark protection. Until now, 225 million dinars were allotted in six public invitations, and 435 companies received the funds. In 2009, the Decree on Conditions and Methods of Company Internationalization was amended („Official Gazette of the RS“, No. 17/09), and according to this Decree, the financial resources in the total value of 68,000,000.00 dinars may be allotted for the following activities: design of a new product, product testing, certification and recertification, quality management system certification and recertification, independent participation in international economic fairs abroad, design of a new product packaging, promotional material design – promotional catalogue and website, advertising in foreign professional magazines, organized business meetings abroad, organized visits to foreign markets.

In 2008, SIEPA successfully initiated participation in specialized fairs in the countries recognized as interesting markets, primarily we have in mind IT fairs (GITEX, Dubai), but also food fairs (FOODEX, Japan). In the coming period, it is necessary to open new markets and provide information on them (the Near East, North African countries, India, Singapore, Australia, Canada, USA) to the companies, offer them additional opportunities to enhance competitiveness, to upgrade their products and promotional material. It is also necessary to enable export-oriented companies, through the financial support programme, to introduce innovative methods of production and innovative products, with the aim to increase export of products with higher added value.

In particular, it is necessary to improve access of potential exporters to financing, so that they could be more competitive regarding prices and payment (AOFI, Development Fund, etc.).

To upgrade the activities of SIEPA, it is necessary to pass the Law on Agency for foreign investments and export promotion. Such a law will improve a lot the activities of SIEPA, ensure higher professionalism in cooperation with foreign investors and domestic companies, greater flexibility at work, and the possibility to develop further. That way, it will be possible to establish SIEPA representative offices abroad, which has proved as a big shortage in the so far activities of SIEPA.

Priority activities in the next three-year period include:

Multilateral and regional trade cooperation:

- Efficient implementation of the Free Trade Agreement in the SEE zone (CEFTA), and upgrading and expansion of trade with the signatory countries to this Agreement,
- Accession to the World Trade Organization in 2010,
- Implementation of Interim Agreement on Trade and Trade-Related Issues with the EU,
- Continuation of and intensifying negotiations on the free trade agreement with EFTA countries in 2009,
- Gradual harmonization and liberalization of the entire economic and foreign trade systems in line with the WTO rules and the EU regulations; intensifying cooperation with OECD, UNCTAD and UNECE
- More intensive cooperation with OECD, UNCTAD and UNECE

Foreign trade policy and regime:

- Upgrading of foreign trade system and policy, to the effect of facilitating conditions for foreign trade, analysing their implementation, and adopting strategies and measures for export promotion.
- Alignment of foreign trade regime and system with the regulations of international economic and financial institutions (WTO, EU, EFTA, etc).

Attraction of foreign investments:

- Reform of regulations important for the area of foreign investments (amendments to the laws, which will eliminate the remaining administrative barriers to foreign investments, passing of the

laws that will enhance competitiveness of the Republic of Serbia, as the regional investment destination, and their alignment with the EU regulations).

- Institutional capacity building (training of staff on the local and republican level, for support to new foreign investors, establishment of an Information Centre with the Government, forming of a professional working group for information and communication technology (ICT), composed of representatives of the Government, public and private sector (ICT industries) and university, in order to address the problems of educating ICT staff and ICT infrastructure, establishment of pilot information technology (IT) boards on the local level, with the participation of private sector, training of the staff of MEOI and SIEPA in the area of investment promotion, branding, business climate upgrading, good examples of legal solutions conducive to foreign investments).
- Activities on upgrading competitiveness (financial support for development of industrial and technological parks, financial support for creation of clusters, analysis of justification of concessionary exploitation of the natural resources of the Republic of Serbia, elaboration of the schedule of proposed concession-based investments, and the promotional handbook with concession projects, establishment of a Concession Administration/Concession Agency, establishment of a fund for fostering foreign investments).
- Internal and external marketing campaign (international promotion of the investment climate in the Republic of Serbia, promotion of importance of foreign investments (and of new investments in general) on the local level, promotion of investment champions and most successful municipalities in foreign capital attraction, making of the brand of the Republic of Serbia as a favourable investment destination, lobbying to improve the country reputation).

Bilateral economic cooperation:

- Monitoring implementation and further liberalization of trade against Free Trade Agreement with the Russian Federation;
- Conclusion of the Free Trade Agreements with Turkey, Ukraine and Belarus, and other countries that start such or similar initiatives on the bilateral level;
- Monitoring work of the established Business Councils, and initiating establishment of new ones, organizing business conferences, and business and economic forums, with the aim to promote advantages for investment in the domestic economy and to possibly balance export-import flows in the bilateral commodity trade;
- Upgrading bilateral economic relations (in particular, the aspect of Serbian export and foreign investments) with the EU countries and other developed European countries, and the overseas countries (USA, Canada, Japan);
- Development of bilateral economic relations and good neighbourhood relations with the neighbouring countries and the South East Europe countries;
- Intensifying bilateral economic relations with the Russian Federation and China, and the most important developing countries (India, Egypt, Iran and Morocco);
- Adoption of the Schedule of Meetings of Joint Inter-Governmental Committees and Commissions (on the annual level, by quarter and by partner country);
- Adoption of national strategies for development of bilateral economic relations and cooperation with the countries that are our strategic economic partners.

Table 21. Schedule of the Priority Reform Projects in the Area of Upgrading International Economic Relations in the Period 2009- 2011

Project Title	Responsible Institution	Project Value Assessment	Data on Sources of Financing		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Financing	

Project Title	Responsible Institution	Project Value Assessment	Data on Sources of Financing		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Financing	
1. Regional cooperation-implementation of agreements with neighbouring countries, especially of those relating to free trade and cross-border cooperation, and the single Free Trade Agreement in the region (CEFTA)	MERR		9,193,380.94 RSD for 2006	Costs of business trips of Working Groups for negotiations covered by CLDP (USA Government Fund)	2008
2. Implementation of the Decree on more detailed conditions for anti-dumping measures implementation, Decree on more detailed conditions for compensatory measures implementation, and Decree on more detailed conditions for implementation of protective measures against excessive import, based on the Law on Foreign Trade Transactions;	MERR		2,062,514.28 RSD granted for 2006 fiscal year Proposal of funds for 2007: 5,500,000 RSD	Part of the funds from twining programme foreseen for 2007 and 2008, in the amount of 1.5 mil. EUR ³⁶	Project in progress
3. Adoption and implementation of the Decree on Industrial Parks, Establishment of Industrial Parks Register and Promotion of Industrial Parks in Serbia	MERR	70,000 EUR	500,000 RSD (only for the Register)	-	2008
4. Establishment of direct contacts with institutions that assess country risk for investments – analysis of methodological approach of these organizations in country risk assessment;	MERR MFIN MUP MP	120,000 EUR		-	2008
5. Passing of the Law on Investment and Export Promotion Agency	MERR SIEPA				2009
6. Financial incentives for new direct investments ³⁷	MERR SIEPA		3,200,000,000.00		2008 – 2010

³⁶ To carry out procedures against these Decrees, it is necessary to provide substantial additional funds from the budget, but their amount cannot be foreseen at this stage.

³⁷ Since 2009, the financial incentives for new direct investments have been paid out from the MERR budget, and by then they were paid out through NIP. As the funds against this Decree are approved on the annual level, the amount shown in the table was foreseen for the fiscal years 2008 and 2009.

Project Title	Responsible Institution	Project Value Assessment	Data on Sources of Financing		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Financing	
7. Attraction of foreign investments- staff training on local and republican level – study visits for employees in Foreign Investments Department (Investment Promotion Agencies in the Czech Republic, Hungary, Ireland and Estonia)		35,000 EUR			2008
8. Organization of seven small thematic seminars and two seminars for representatives of all municipalities on the importance of foreign investments and communication with investors		28,000 EUR			2009
9. International promotion of investment climate in the Republic of Serbia – participation in international fairs, investment forums;	MERR SIEPA	150,000 EUR			2008-2010
10. Elaboration of foreign investments statistical database – by investor, industry and municipality in the Republic of Serbia	MEOI, SIEPA, NBS, RZS	95,000 EUR			2008
11. Investment champions promotion – publishing of the list, media promotion, organization of promotional gatherings of most successful municipalities (quarterly)	MERR SIEPA	100,000 EUR			2008
12. Elaboration of promotional material on conditions for investment and translation	MERR SIEPA	100,000 EUR			2008-2010
13. Lobbying activities on improving the country's reputation - Investor targeting	MERR SIEPA	300,000 EUR			2008 – 2010
14. Organization of SIEPA representative offices abroad ³⁸	MERR SIEPA	2,000,000 EUR	1,000,000 EUR	1.000.000 EUR	2009 – 2010

³⁸ Opening of SIEPA representative offices is closely linked with adoption of the Law on SIEPA, which is the precondition for performance of these activities. That is why the resources for such activities have not been foreseen in the budget, yet. However, direct presence on major markets is very important for the Republic of Serbia and, therefore, we foresee the possibility that foreign investors will support these activities as donors in the coming period.

Project Title	Responsible Institution	Project Value Assessment	Data on Sources of Financing		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Financing	
15. Support to Enterprise Competitiveness and Export Promotion - Local Suppliers Development Programme - Mapping and Support to Clusters - Promotion of Trade in the CEFTA Zone - Support Programme for Companies Exporting for the First Time	SIEPA	3, 500,000 EUR		3. 500.000 EUR IPA 2007	2008 – 2010
16. Company Internationalization Programme	SIEPA	188,000,000 RSD	188,000,000 RSD		2008 – 2010
17. Promotion of Serbian Companies in International Fairs	SIEPA	1, 500,000 EUR	1, 500,000 EUR		2008 – 2010
18. Promotion of Serbia as an investment destination in international investment fairs	SIEPA	1, 000,000 EUR	1, 000,000 EUR		2008 – 2010
19. Promotion of Serbia through national presentation (stand) in World Exhibition in Shanghai, PR China, in 2010 ³⁹	MERR SIEPA	3,000,000 EUR			2008- 2010

Regional Development

According to the development level of certain parts, Serbia is one of the countries with the highest **regional unevenness** in Europe, which has been growing over the years. According to index of development vulnerability, most developed to least developed region ratio is 1:7, and most developed to least developed municipality ratio is 1:15. However, even more serious problem is the overall Serbia's lagging behind the European Union average, and the average *GDP per capita* in Serbia in 2006 stood at only \$4,199. Unemployment in Serbia (18.8 %) is still among the highest in the region, with a very high negative population growth (depopulation in the areas).

The process of approximation to the EU requires an institutionalized approach to solution of regional development problems. To that effect, it is very important to introduce the NUTS classification (Nomenclature of Statistical Territorial Units of the EU).

³⁹ One of the most important promotional activities that will be organized in the coming period is the World Exhibition in Shanghai EXPO 2010, and it will be held in the period 1 May – 31 October 2010. This World Exhibition will be the biggest one ever organized, with about 200 registered participating countries, and the expected number of visitors of 70-100 million. According to some estimates, our pavillion will be visited by about 5 million visitors. The resources planned to be allocated from the 2008 budget amount to 200,000 euros, while it is planned to allocate substantial financial resources in 2009 for arrangement of the rented pavillion of 1,000m². The total value of the pavillion (arrangement of the interior, outer walls and space equipping) amounts to 3 million euros. At this moment, in view of the global economic crisis impact, there is no enough resources for performance of this activity, and the proposal of the Ministry and the Agency is to cancel the participation of Serbia in the World Exhibition in Shanghai, unless the missing resources can be provided from donors of the Exhibition organizers – the People's Republic of China in the shortest period.

The Law on Regional Development and the supporting bylaws will be passed, and they will constitute, together with the Strategy for Regional Development of Serbia for the period 2007-2012, the basic legal and strategic framework for implementation of the regional development policy and achievement of the set goal, which is to cut the regional disparities on the level of districts, measured by index of development vulnerability below the level of 1:4, by the end of 2015. The Law will govern establishment of institutions responsible and authorised to manage regional development.

Objectives of the regional development policy:

- Adequate use and management of development potentials of the territorial units and wider regions of the Republic of Serbia;
- Incentive measures for the regions substantially lagging behind in their development and reduction of risks in the development level of certain parts of Serbia;
- Elimination of shortcomings in the relations among the basic local self-government units, then those between the basic local self-government units and the central authorities, with the accelerated development of cross-border cooperation.

Active regional policy in the coming period implies measures in the area of infrastructure, with a special accent on the needs of undeveloped regions, incentive measures in the area of economic development (business ambience, industrial zones and business incubators, favourable loans) and training of human resources for development projects implementation.

Based on the strategic plans for management of regional development, it is necessary to pass several laws, whose implementation will ensure accelerated sectoral alignment of the economy, creation of an ambience for investments in undeveloped regions and improve their attractiveness for investments. For successful achievement of the above goals, it is necessary to pool know-how and financial resources of the Republic of Serbia, local self-governments and donors.

OVERVIEW OF THE SITUATION IN THE REGIONAL DEVELOPMENT

Strategic Framework:

- Strategy for Regional Development of Serbia, for the period 2007-2012 (adopted in January 2007)
- Strategy for Poverty Reduction;
- National Strategy for Accession of Serbia to the EU
- Strategy for fostering and development of foreign investments
- Memorandum of Budget and Economic and Fiscal Policies for 2009, with projections for 2010 and 2011
- National Program of Integration of Serbia to the European Union (NPI) (adopted in 2008)
- European Partnership (February 2008)

Institutional Framework:

- Ministry of Economy and Regional Development, Department for Regional Development (established in June 2007)
- Republic Agency for SMEs (established in 2001)
- National Agency for Regional Development, National Council for Regional Development, 7 public regional agencies* (they will be all established according to the Law on Regional Development in 2009)
- Development Fund (established in 1992)
- Network of Regional Development Associations
- Municipalities
- Partner-institutions from public, private and civil sectors (Development Office, Statistics Office, think-tank, Faculties, etc.)

Legal Framework:

- Constitution of the Republic of Serbia (October 2006)
- Law on Ministries (July 2008)
- Stabilization and Association Agreement (April 2008)
- Framework Agreement between the European Communities Commission and the Government of the Republic of Serbia (December 2007)
- Financial Agreement between the European Communities Commission and the Government of the Republic of Serbia, with Annexes (A and B) (April 2008)
- Law on Development Fund (last version from 2005)

- Law on Regional Development * (to be passed in 2009)

Strategic Framework

Strategy for Regional Development of Serbia in the period 2007-2012, establishes the objectives, policy and extent of the regional development, in line with the National Strategy for Economic Development of the Republic of Serbia, from 2006 to 2012 and *the Spatial Plan of Serbia*. The Strategy is the basis for a new approach to regional policies, against which sectoral development programs will be initiated, planned and implemented.

Regional development, as a wider horizontal priority, has been recognized among many other strategic documents adopted by the Government of the Republic of Serbia. Thus, **Poverty Reduction Strategy** underscores fostering of the regional development policies, through cooperation between the municipalities, as one of the strategic commitments. **National Strategy for the Accession of Serbia to the European Union** stipulates that one of the priorities of the Republic of Serbia on the path to the EU is adoption of the Law on Equal Regional Development; definition of the criteria for establishing development level; establishment of institutions dealing with regional development; and defining systemic solutions in connection with financing and other support to faster development of undeveloped regions. One of the strategic goals of the **Strategy for Fostering and Development of Foreign Investments**, is creation of the conditions for balanced regional development of the country, i.e. improvement and then continued development of each individual region.

Chapter 22, of the **National Program of the Integration of Serbia to the European Union (NPI)** „Regional Policy and Coordination of Structural Instruments” stipulates the following priorities of the Government of the Republic of Serbia in this area:

- Passing of the Law on Regional Development and the Bylaws;
- Passing of the Law on Amendments to the Law on the Development Fund;
- Establishment of the National Agency for Regional Development, and the network of regional development agencies on the regional level;
- Strengthening of the institutional capacities and human resources dealing with the regional development in Serbia;
- Promotion of the Concept of the EU Integration and Regional Development
- Passing of the set of laws and bylaws for their implementation in the domain of economic policy (e.g. Law on Industrial Parks)
- Updating of the Regional Development Strategy
- Introduction of integrated information system
- Increased investments in infrastructure and development projects that foster regional development.

European Partnership, as one of the short-term priorities, foresees continued implementation of the SAA and the EU integration process, whereas the medium-term priorities are focused on further strengthening of the EU integration processes on all levels, implementation of the constitutional provisions relating to decentralization and improvement of the business climate, in order to increase the level of foreign direct investments.

Legal Framework

Constitution of the Republic of Serbia („Official Gazette of the RS” 83/06) attaches special attention to the regional development and development of underdeveloped regions. In the part relating to the economic system and public finance, the Constitution stipulates that “the Republic of Serbia takes care of equal and sustainable regional development in conformity with the Law.” (Article 94 of the Constitution – Balancing of the Development). In addition, the Constitution stipulates that it is the responsibility of the Republic of Serbia to govern and ensure „development of the Republic of Serbia, policy and measures for fostering equal development of the parts of the Republic of Serbia, including development of underdeveloped regions” (Article 97, point 12 of the Constitution).

The Memorandum of Budget and Economic and Fiscal Policies for 2009, with the Projections for 2010 and 2011, which was adopted by the Government of the Republic of Serbia in May 2008, stipulates that regional development is one of the main objectives of the economic policy in the period 2009-2011 (along with the dynamic economic growth, growth of employment and higher standard of living). The Memorandum stipulates that special accent in allocation of the state aid will be placed on fostering development of less developed and undeveloped regions, and reducing economic, natural, social and other disparities in these regions. The part of the Memorandum relating to the structural reforms, stipulates that regional development is one of the strategic priorities of the Government of Serbia

(Chapter 7.11). The Memorandum stipulates that the priority activities in this area are: introduction of the NUTS classification, passing of the Law on Regional Development and Supporting Bylaws, establishment of institutions for implementation of the regional development policy, investments into infrastructure, incentive measures for development of business ambience and human resources.

Stabilization and Association Agreement, Article 113, stipulates that the EU and the Republic of Serbia will make efforts on strengthening regional and local development cooperation, with the aim to contribute to economic development and reduction in regional inequality.

Framework Agreement between the Commission of the European Communities and the Government of the Republic of Serbia stipulates the procedures for establishment and functioning of a body, which the Government of the Republic of Serbia should establish in the process of preparation for the DIS accreditation and use of IPA funds. Relevant bodies for the area of regional development are the Strategic Coordinator for Regional Development, and the Operative Structures for Implementation of the III Component of IPA, intended for regional development.

Financial Agreement between the Commission of the European Communities and the Government of the Republic of Serbia with the pertaining Annexes (A and B) stipulate in detail the conditions against which the assistance to the Republic of Serbia from the IPA Programme for 2007 will be implemented, including the Programme for Regional and Socio-Economic Development in the total value of 21 million EUR, whose beneficiary is the Ministry of Economy and Regional Development, and the regional development associations.

Law on Regional Development, whose passing is expected in 2009, will govern the objectives and principles of regional development; regions and districts; classification of municipalities by level of development in four categories; development documents; institutional framework for management of the regional development of the Republic of Serbia; measures and incentives; sources of financing for implementation of the regional development policy, and monitoring and assessment of the regional development policy.

MEDIUM-TERM OBJECTIVES (PRIORITIES)

Objectives of the regional development policy are the following:

- 1) Overall socio-economic sustainable development, by fostering polycentric economic development;
- 2) Diminishing of regional and inter-regional disparities in the level of socio-economic development and living conditions, with the accent on stimulation of development of underdeveloped, devastated industrial and rural areas;
- 3) Lowering of negative demographic trends;
- 4) Development of the economy based on knowledge, innovativeness, modern scientific and technological achievements and organization of governance;
- 5) Enhancing competitiveness on all levels;
- 6) Establishment of the legal and institutional framework for planning, coordination and implementation of development activities;
- 7) Fostering of inter-municipal, inter-regional, cross-border and international cooperation in the issues of common interest.

In compliance with the above said, the priority axes in the regional development activities can be grouped in three categories:

1. **Development of the legal and institutional framework for regional development, strengthening of human resources on all levels;**
2. **Development of infrastructure;**
3. **Stimulation of development of companies, entrepreneurship and favourable business climate.**

These three priority goals imply the following activities:

1. Development of legal and institutional framework for regional development, strengthening of human resources on all levels

1a: Development of legal framework:

- Passing of the Law on Regional Development and Bylaws;
- Passing of the Law on Amendments to the Law on Development Fund;
- Updating of Regional Development Strategy;
- Passing of the set of laws and bylaws for their implementation, in the domain of economic policy, which would enforce measures for the regional development policy and create conditions for accelerated sectoral alignment of the economy, provide the ambience for investments in

undeveloped regions and foster their attractiveness for investments. There are plans for passing of the law or bylaws in the area of establishment and management of industrial and technological parks, business incubators, enhanced enterprise zones, regeneration of industrial areas (so called "Brownfield") etc.

- Elaboration of the Brownfield Regeneration Strategy
- Elaboration of the Strategy for Development of Industrial Parks

1b: Development of Institutional Framework:

- Establishment of the National Agency for Regional Development (transformation of the Republic Agency for SMEs and the Department of Infrastructural Projects Implementation within MERR)
- Establishment of the National Council for Regional Development
- Establishment of 7 public agencies for regional development on the level of the regions NUTS 2
- Strengthening of the network of regional development agencies on the level of NUTS 3, as the form of inter-municipality partnership
- Support to creation of the Association of Local Partners ("territorial pacts") grouped around a certain objective, irrespective of a region to which they belong (e.g. Association of the Partner-Municipalities of the Danube Basin, Association of the Partner-Municipalities of the Sava Basin, Association of the Partner-Municipalities of the National Park Golija, etc.).
- Development of cooperation with Universities and students on the topic of regional and economic development (Training on the topic of development projects for industrial parks with the Faculty of Architecture)

1c: Development of Human Resources:

- Strengthening of human resources dealing with the regional development in Serbia on the national, regional and local levels;
- Training and advanced professional training for representatives of the national institutions (Ministry of Economy and Regional Development, National Agency for Regional Development, National Council - 7 public agencies for regional development) and regional and local institutions (regional development associations, territorial pacts, municipalities)
- Education and training for media representatives on the topic of the regional development
- Promotion of the concept of the EU integrations and regional development to the citizens of the Republic of Serbia
- Introduction of modern ICT equipment and software for compiling and analysis of the data relating to the regional development (establishment of the Register of measures and incentives for regional development)
- Support to international regional cooperation

2. Development of Local Infrastructure:

- In cooperation with municipalities, identification of priorities and need for infrastructure projects
- Ensuring preconditions for implementation of infrastructure projects (governing of property and legal relations, etc.)
- Development of technical project documentation for development projects in the area of economic, ecological and social infrastructure
- Investment in local infrastructure in undeveloped regions (with the accent on development of local infrastructure, such as water supply, sewerage system, local roads, etc.)
- Investment in infrastructure, which will foster competitiveness in the developed regions (especially development of business infrastructure, and also development of innovative town squares)
- Investment in business infrastructure (industrial parks, business incubators, business innovative centres)

3. Fostering development of companies, entrepreneurship and favourable business climate

- Granting favourable loans for development of SMEs and entrepreneurship, through Development Fund of the Republic of Serbia
- Support for the program of certification of municipalities with favourable business climate

Table 22. Schedule of Investment Projects

Project Title	Responsible Institution	Estimated Project Value	Data on Sources of Financing		Planned Time for Start of Project Implementation	Status of Documentation
			Internal Resources	External Sources of Financing		
1. Implementation of the Economic Development Project (local utility infrastructure, industrial zones, business incubators) through the National Investment Plan) NIP	MERR, Ministry for NIP	31 mil EUR	31 mil EUR from the RS budget		First quarter of 2009	Draft Decree on Allocation of Funds for 2009
2. Program for Credit Support to Undeveloped Regions and Start-up Enterprises	MERR through Development Fund	59 mil EUR	59 mil EUR from the RS budget		First quarter of 2009	Decree on Allocation adopted
3. World Bank Project "Regional Development of Bor"	MERR, Department of Regional Development, Ministry of Environment	43 mil USD		43 mil USD from the credits and the WB loan	Last quarter of 2008	Project became effective on 16.12. 2008, Agreement with the World Bank signed in September 2008
4. Grant scheme for Infrastructure Development within the Regional Socio-Economic Development Programme (RSED) IPA 2007	The European Commission for MERR	10.5 mil EUR (out of the total of 21 million EUR)		10.5 mil EUR from IPA 2007, from the European Commission	2009-2011	Project approved by the European Commission
5. Grant scheme of the PRO 2 Programme, for development of 22 infrastructure and development projects in the municipalities of the south-western Serbia	Municipalities of the south-western Serbia	3.25 mil EUR	225 thousand EUR from the budget of MERR and the municipalities	3 mil EUR from the donations of the EU and the Government of the Republic of Switzerland	2007-2009	Project implementation in progress

Project Title	Responsible Institution	Estimated Project Value	Data on Sources of Financing		Planned Time for Start of Project Implementation	Status of Documentation
			Internal Resources	External Sources of Financing		
6. Grant scheme of the EU Programme SME NE Serbia for development of infrastructure projects in 4 municipalities of the north-eastern Serbia (water supply in Pozarevac, industrial zones in Vrsac and Zrenjanin)	4 municipalities of the north-eastern Serbia	13.5 mil EUR		13.5 mil EUR from the EU donation	2007-2010	Project implementation in progress
7. Grant Scheme of the USAID Programme for Economic Development of Municipalities	Municipalities that participate in the Programme	2 mil USD		2 mil USD from the donations of the US Government, through USAID	2006 -2010	Project implementation in progress
8. Programme for Municipal Infrastructure Development (MISP)	MERR, line ministries, municipalities, (through EC)	55 mil EUR	10 mil EUR from NIP	45 mil EUR from IPA 2008	2009 -2012	Project approved, implementation can start after signing the Financial Agreement for the package of IPA 2008
9. Programme for Industrial Parks Development (Grant Scheme)	MERR, municipalities	€ 5,000,000	Not defined yet		Not defined yet	Project idea
10. Project „Revive Your Town” – Planning of Town Squares and Business Zones	MERR, municipalities	€ 5,000,000	Not defined yet		Not defined	Project idea
11. Program for Development of Infrastructure Documentation in Undeveloped Municipalities (Grant Scheme)	MERR, undeveloped municipalities	20 mil EUR	Not defined yet	Not defined yet	Not defined	Project idea

Table 23 Schedule of Reform Projects

Project Title	Relevant Institution	Estimated Project Value (EUR)	Data on Sources of Financing		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Financing	
1. RSEDP Project (Technical Support to MERR for Development of Regional Development Policy on the Central Level)	EC for MERR	2 mil EUR (from the total of 21 mil EUR)		2 mil EUR from IPA 2007	It is expected from the second quarter of 2009
2. RSEDP Project (Technical Support for Development of Regional Development Agencies)	EC for MERR	3.5 mil EUR (from the total of 21 mil EUR)		3.5 mil EUR from IPA 2007	From the second quarter 2009
3. RSEDP Project (Operational Grant for Regional Development Agencies)	EC for MERR	5.5 mil EUR (from the total of 21 mil EUR)		5.5 mil EUR IPA 2007	Started in the second quarter of 2008
4. UNDP ART GOLD Project for Development of the Macva and Kolubara Districts	MERR, Department of Regional Development	3 mil EUR		3 mil EUR Government of the Republic of Italy	First quarter of 2009
5. GTZ-KWD 'Municipal Economic Development in Danube Region of the Eastern Serbia'	MERR, Department of Regional Development, 4 municipalities in Eastern Serbia (Zajecar, Golubac, Majdanpek, Sokobanja) and Development Agency RARIS	1.5 mil EUR		1.5 mil EUR Government of the Republic of Germany	Project in progress (2007-2010)
6. PRO 2 Development of South-western Serbia (technical support for capacity development on the local level)	8 municipalities of South-western Serbia, development agencies	4 mil EUR (from the total of 7 mil EUR)		4 mil EUR Government of the Republic of Switzerland and EU through CARDS	Project in progress (2007-2009)
7. Programme MSP NE Serbia (technical support for capacity development on the local level)	19 municipalities of North-western Serbia, development agencies	6.8 mil EUR out of 20.2 mil EUR		6.8 mil EUR EU through CARDS	Project in progress (2007-2010)
8. Programme MISP – technical support for development of municipal infrastructure	Line ministries, municipalities	1.5 mil EUR		1.5 mil EUR EU through CARDS	Project in progress (2008-2010)
9. Integrated Development of the Jablanica-Pcinja Region (technical support for capacity development on the local level)	Development Agency of Jablanica-Pcinja District, municipalities	1.95 mil EUR		1.95 mil EUR Government of the Republic of Austria	First quarter 2009

Project Title	Relevant Institution	Estimated Project Value (EUR)	Data on Sources of Financing		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Financing	
10. Elaboration of Urban Planning-Project Documentation for Industrial Parks (Pilot Project Pirot) Faculty of Architecture, Beograd, Urban Planning Department	Faculty of Architecture, MERR (Department of Regional Development), Municipality Pirot	-	Faculty of Architecture, Municipality Pirot		First quarter 2009
11. Elaboration of Urban Planning-Project Documentation for the Golubac Fortress with the Faculty of Architecture in Beograd, Urban Planning Department	Faculty of Architecture, MERR (Department of Regional Development, Department of Tourism), Municipality Golubac, Programme GTZ-KWD	-	Faculty of Architecture	Programme GTZ-KWD	First quarter 2009
12. Elaboration of the National Strategy for Development of Industrial Parks	MERR (Department of Regional Development)	800,000 EUR		800,000 EUR EU through WB (IFC)	Project in progress (2006-2009)
13. Implementation of the National Strategy for Development of Industrial Parks (including drafting laws and bylaws for industrial parks)	MERR (Department of Regional Development)	3 mil EUR	MERR	Multilateral and bilateral donors	Project idea
14. Updating of the National Strategy for Regional Development of the Republic of Serbia	MERR (Department of Regional Development)	2 million EUR	MERR	Multilateral and bilateral donors	Project idea
15. Elaboration of the National Strategy for Brownfield Development	MERR (Department of Regional Development), line ministries, SKGO	2 million EUR	MERR, line ministries	Multilateral and bilateral donors	Project idea
16. Implementation of the National Strategy for Brownfield Development (including drafting of the law and bylaws)	MERR (Department of Regional Development), line ministries, SKGO	4 mil EUR	MERR, line ministries	Multilateral and bilateral donors	Project proposal
17. UNHABITAT RE-Development Project for development of planning capacities on the national and local levels	MERR, Department of Regional Development, Nis-Toplica District	950,000 EUR		950,000 EUR Government of the Republic of Italy	Project proposal
18. Project „Regional Development Caravan“ (informing citizens in towns and regions of Serbia about the regional development policy and the EU integration process, available instruments, organization of regional „open doors“ etc.)	MERR, Department of Regional Development	1 mil EUR		Multilateral and bilateral donors	Project idea

Project Title	Relevant Institution	Estimated Project Value (EUR)	Data on Sources of Financing		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Financing	
19. Regional Development Project (strengthening of the regional development institutions on the national and regional/local levels; enhancing competitiveness of the developed regions; strengthening capacities of less developed regions and districts)	MERR, regions and districts, municipalities	40 mil EUR (out of that, 20 mil EUR for the grant scheme for development projects)	10 mil EUR from the national sources	30 mil EUR EC, bilateral donors	Project idea, programme proposal for IPA 2009

DEVELOPMENT OF SMALL AND MEDIUM-SIZED ENTERPRISES AND ENTREPRENEURSHIP

Situation overview: SMEE sector has recorded a dynamic growth in the last few years. The sector has played an important role in mitigation of the negative effects of the transition process, primarily through creation of opportunities for both new employment, and employment of redundant workers from the privatization and restructuring processes. This is, among other things, the result of the activities carried out on upgrading the legal framework for business activities, with the support of the new institutional framework, and numerous measures of financial and non-financial support to the SME sector development. The reached level of development of the SMEE sector is reflected through the achieved economic parameters. In 2007, 99.8% of all economic entities accounted for the SMEE sector. This sector employed 65.5% of the total employees, reached 67.6% of the turnover, and 50.2% of the export and 64% of the import of the total non-financial sector. The share of the SMEE sector in creation of the gross value added (GVA) in the non-financial sector was around 60%.

An important role in implementation of the SMEE policy was played by implementation of the European Charter for Small Enterprises. Out of the 10 principles, the highest level was reached with the principles relating to faster and simpler start-up of business, upgrading of activities on the international markets, taxation and financial support, and development of stronger and more efficient representation of interests of small enterprises. Insufficient or small progress was recorded with the principles relating to education and training of entrepreneurs, and improvement of on-line access.

In spite of good results, the SMEE sector is facing many problems, such as insufficient number and poor economic strength of medium-sized enterprises, insufficient horizontal and vertical connectivity (internationalization) and high regional and industry concentration of SMEE. It is necessary to upgrade additionally the regulatory and administrative framework, and develop new instruments for support to this sector on the national, regional and local levels. A particular shortcoming and the restricting factor of the sector's development is a low share of high technology industries, non-implementation of innovations and technical-technological progress to increase competitiveness on the domestic and foreign markets. The importance of the support to the SME sector is even more expressed in the conditions of the global economic crisis, when this part of the economy will be most gravely hit by its effects.

Institutional Framework: In the period since 2001, a network of financial and non-financial institutions has been elaborated with the aim to support the SMEE sector. The financial support to the SMEE sector is also given by the Development Fund of the Republic of Serbia, Guarantee Fund of the Republic of Serbia, Export Credit and Insurance Agency and Foreign Investment and Export Promotion Agency. The largest progress in the framework of the financial support to SMEs has been achieved with the start-up credit line. With implementation of this credit line, a decentralised method of collection and processing of credit applications was implemented for the first time in 2008. Through its network of the regional agencies and its local offices, Serbian Agency for the Development of Small and Medium-sized Enterprises and Entrepreneurship (RAMSPP) promoted this credit line and informed potential entrepreneurs on terms of crediting, assessed the entrepreneurial potential of the interested entrepreneurs, carried out training for elaboration of business plans, and assisted in filling out the credit applications. Thereby, the financial support and non-financial support to SMEs were combined through the RAMSPP services. In addition, development of clusters was supported financially by the funds of the Ministry of Economy and Regional Development, and business incubators were supported by the NIP funds.

The investment funds were established in the Republic of Serbia according to the Law on Investments Funds, but they are still not used to foster development of the SME sector.

Non-financial support to SMEE sector is organized through the Republic Agency for SMEE Development and the network of regional agencies/centres and local offices. The Republic network was created to support professionally development of small and medium-sized enterprises and entrepreneurs, primarily through dissemination of information, organization of training for start-up, training for improvement of skills and knowledge, consulting services, and implementation of concrete programmes for SMEE development, on the regional and local levels. The Republic Agency for SMEE Development coordinates the Republic network of 14 Regional Agencies and Centres for SMEE Development, and 18 new Offices have been opened on the local level, whereby 2 of them are on Kosovo and Metohija.

An important role in supporting start-ups is played by the National Employment Service, with its network of business centres.

The *Council for Small and Medium-sized Enterprises* has been formed to support the SME sector, and it consists of the representatives of the ministries, Republic Agency for Development of SMEs and the business community. Two Working Groups are functioning within the Council: Working Group for SMEs statistical monitoring and research, and Working Group for entrepreneurs - beginners and entrepreneurship.

In 2008, the National Council for Competitiveness was established, as a working body of the Government of the Republic of Serbia, with the aim to improve competitiveness of Serbia on the international market. The Working Group for Development of SMEs was formed within the Council, with the task to propose measures and indicators for competitiveness monitoring, and to make reports on the measures taken and their effects on improvement of competitiveness

Legal Framework: The environment for establishment and work of SMEE has improved largely, which is primarily manifested in much shorter time for registration of entrepreneurs that now takes one day. Since the middle of 2008, Business Registers Agency (APR) has enabled the natural persons to establish entrepreneur's shops, using on-line registration applications. Registration of economic entities takes five days at the maximum. However, a special problem for SMEE are still the legal regulations relating to issue of different licences, then costs pertaining to administrative regulations in business activities, and numerous documents required for particular administrative procedures. In order to simplify the legal environment and bylaw regulations for SMEE, i.e. to eliminate superfluous regulations, the Strategy of Regulatory Reforms in the Republic of Serbia has been adopted for the period 2008-2011. Among other things, it stipulates the following by 2011: cutting of the administrative operating costs at least by 25%, acceleration and reduction of administrative procedures and introduction of a single window system and the principle that "silence of administration" means approval, wherever it is possible. This implies invalidation or amendment of inefficient regulations through a Comprehensive Regulations Reform (SRP).

With the aim to round off the legislative regulations relating to the SMEE sector, the activities are in progress on elaboration of the working versions of the draft laws, whereby one law will govern the area of crafts, and another one will govern cooperatives and cooperative farming, taking into account the regulations and rules of the EU member countries.

Table 24. Implementation Status of the Most Important Projects in the SME Sector, in the Period 2000- 2008:

Project/Programme Title	Value	Source of Financing	Implementation Period
1. Project: „Non-financial Support for Development of SMEE in Serbia"	3,600,000 EUR	EU	2001-2004
2. Project: „Programme for Development of Enterprises and Entrepreneurship"	4,500,000 EUR	EU	2004-2007
3. Project: „Technical Support for the Development Policy for Enterprises and Innovations"	1,500,000 EUR	EU	2008-2010
4. „ENTRANSE" - Support Project for Development of Business Incubators and Clusters in the Republic Serbia	4,288,000 EUR	Government of the Kingdom of Norway	2004-2008
	456,683 EUR		2008-

Project/Programme Title	Value	Source of Financing	Implementation Period
5. Business Innovation Programme (BIP)		Government of the Kingdom of Norway	
6. Micro Credits for Self-employment	1,000,000,000 RSD	Budget	2007
7. Start-up Loans through the Development Fund	1,100,000,000 RSD 2,800,750,000 RSD	Budget (NIP) Budget	2007 2008
8. Loan for Development of Enterprises and Entrepreneurship in the Least Developed Municipalities	1,535,235,946,66 RSD 1,926,700,000 RSD	Budget (NIP) Budget	2007 2008
9. Revolving Credit Fund of the Republic of Serbia	15,000,000 EUR	EAR	2001-
10. APEX Global Loan for SMEs	65,000,000 EUR	EIB	2002-
11. Development Package – Credit Line for SMEs	34,000,000 EUR	Italy	2004-
12. Support Programme for Clusters	100,000 EUR 10,000,000 RSD 26,000,000 RSD 31,800,000 RSD	Budget	2005 2006 2007 2008
13. Support Programme for Competitiveness Development	82,969,118 RSD	Budget	2008
14. Support Programme for Upgrading SMEE Business Operations	4,200,000 RSD	Budget	2008
15. Project: „Training and Technical Support for Public Administrations in the Balkans“, Italy /ICE and the Dante Alighieri Institute			
16. Training of Entrepreneurs	11,295,000.98 RSD	Budget	2008
17. Programme for Start-up Loan for Beginners	5,999,600.00 RSD	Budget	2008
18. Project: „Upgrading Business Operations of Entrepreneurs“	15,272,377.62 RSD	Budget	2008
19. Internet Portal	2,891,000.00 RSD	Budget	2008

STRATEGIC DEVELOPMENT FRAMEWORK

In the last period, the main strategic documents relating to the SMEE sector were: the Strategy for Small and Medium-sized Enterprises Development in the Republic of Serbia, for 2003-2007; the Plan for Fostering Development of Small and Medium-sized Enterprises in the Period 2005-2007; and the Programme for Development of Business Incubators and Clusters in the Republic of Serbia, for 2007–2010. These documents were aligned with the requirements of the European Charter for Small Enterprises.

Development of the SMEE sector in the coming medium-term period will be based on a new strategic document – Strategy for Development of Competitive and Innovative Small and Medium-sized Enterprises in the period from 2008 to 2013, with the Operative Plan for the Strategy Implementation. The Government adopted these documents in October 2008. This strategic document incorporates the basic commitments from several important documents, such as: Multi-Annual Indicative Planning Document for the Republic of Serbia, 2007 – 2009; the European Charter for Small Enterprises and Small Business Act for Europe, from June 2008; Strategy for Regional Development of the Republic of Serbia, for the period from 2007 to 2012 and the National Employment Strategy for the period from 2005 to 2010. In addition, the commitments contained in the Strategy are in line with Medium-term Priorities of the European Partnership, Strategy for Poverty Reduction, Memorandum on the Budget and Economic and Fiscal Policies for 2009, with the Projections for 2010 and 2011, and the National Programme for Integration of Serbia into the EU.

Along with that, elaboration of separate programmes that will define the policy of business incubators and clusters development is in progress.

MEDIUM-TERM OBJECTIVES (PRIORITIES)

The main strategic objective in the coming medium-term period is development of an entrepreneurial economy, based on knowledge and innovativeness, which will create a powerful, competitive and export-oriented SME sector, and contribute substantially to improvement of the standard of living in the Republic of Serbia.

The expected results will be achieved with application of the basic principles contained in five pillars of the Strategy, aimed at the policy implementation:

1. promotion of and support for entrepreneurship and start-up of new enterprises;
2. human resources for a competitive SME sector;
3. financing and taxation of SMEs;
4. competitive advantages of SMEs on export markets;
5. legal, institutional and business environment for SMEs in the Republic of Serbia.

The Strategy takes into account the needs of the SME sector and contains the activities, which will be carried out through the projects financed from the budget of the Republic of Serbia, National Investment Plan, and the donors' funds.

The innovativeness of this Strategy, as compared with previous policies for SME support derives from the following:

- 1) better allocation of resources to the specifically defined target groups (SMEs that show clear potential for growth through export and innovations, promoted industry focus through clusters);
- 2) wider coverage (e.g. support to undeveloped regions and groups that are not sufficiently represented in respect of entrepreneurial activities, such as women, minorities, young people, persons with special needs);
- 3) improved technical management of programmes and projects, based on institutional experience in pilot projects implementation;
- 4) promoted dialogue of public and private sectors and better representation of SMEs;
- 5) abiding by the principles of promotion and exchange of good business practice.

Table 25 *Priority Investment Projects in the Area of Economy in the period 2009-2011*

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Financing		Planned Time for Start of Project Implementation	Documentation Status
			Internal Resources	External Sources of Financing		
1. Support Programme for Competitiveness of Enterprises and Export Promotion	MERR SIEPA	3,500,000		3,500,000		Completed IPA 07, Project Fiche
2. Upgrading of Competitiveness and Innovativeness of Serbian SMEs	MERR	4,000,000		4,000,000	2011	Completed IPA 08, Project Fiche
3. Integrated Innovations Support Program	MERR	3,800,000			2012	Completed IPA 09, Project Fiche
4. Support Scheme for Innovative and Export-Oriented Business Incubators	MERR	420,000			2009	Project idea, application submitted for aid of the Kingdom of Norway

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Financing		Planned Time for Start of Project Implementation	Documentation Status
			Internal Resources	External Sources of Financing		
5. Implementation of the Programme for Business Incubators Development	MERR	500,000			2009-2010	Under preparation
6. Cluster Development Programme	MERR	451,467.27 ⁴⁰ 451,467.27 ¹	(40,000,000 RSD) 40,000,000 RSD)		2009 2010	Under preparation
7. Project for Encouraging Enterprises to Invest in Higher Innovativeness	MERR	677,200.90 ¹ 677,200.90 ¹	(60,000,000 RSD) 60,000,000 (RSD)		2009 2010	Under preparation
8. Support Project for SME Development and Competitiveness, which will be used for obtaining consulting and mentor services	RAMSP	677,200.90 ¹	(60,000,000 RSD)		2009	Under preparation
9. Programme for Cooperation between SMEE and National Research Organizations (NIO) on Implementation of Innovations	RAMSP	135,440.18 ¹	(12,000,000 RSD)		2009	Under preparation
10. European Information, Innovation and Relay Centre in Serbia	Consortium lead by RAMSP	650.00 EUR		650,000	2009-2011	Completed
11. Start up Loans through the Development Fund (FZR)	MERR and FZR	34,988,713.32 ¹	(3,100,000,000 RSD)		2009	Completed
12. Loans for development of enterprises and entrepreneurs in the least developed municipalities through the Development Fund	MERR and FZR	28,103,837.47 ¹	(2,490,000,000 RSD)		2009	N/A
13. Support Programme for Development of Entrepreneurship of Specially Vulnerable Groups (women, persons with special needs, businesspeople who start business again)	MERR	1,000,000			2011	Project is being elaborated

⁴⁰ Calculated against the exchange rate prevailing at the end of December 2008. (1 EUR=88.6 RSD)

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Financing		Planned Time for Start of Project Implementation	Documentation Status
			Internal Resources	External Sources of Financing		
14. Support Project for Rural Development through Entrepreneurship Development	MERR	750,000			2010	Project is being elaborated
15. Project for Development of Support for Eco-innovations in Serbia	MERR	1,500,000			2011	Project is being elaborated
16. Upgrading of Technical and Non-technical Innovations with SMEs	MERR	5,000,000			2011	Project is being elaborated

Table 26. Priority Reform Projects in the Area of Economy, in the Period 2009-2011

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Financing		Planned Time for Start of Project Implementation	Documentation Status
			Internal resources	External Sources of Financing		
1. Second Chance for SMEs in Serbia – Reorganization, Bankruptcy and a New Beginning	MERR	3,000,000			2011	IPA 08 Project is being elaborated
2. Training on Financial Management and Control for SMEs	MERR	3,000,000			2009	IPA 08 Project is being elaborated
3. Integrated Support for start-up business on the regional level	MERR	1,615,000			2010	IPA 08 Project is being elaborated
4. Project for Improvement of Competitiveness and Innovativeness with SMEs in Serbia	RAMS PP	3,000,000				IPA 08
5. Support for Implementation of the Program for Business Incubators Development	MERR RAMS P	1,500,000			2010	Project is being elaborated
6. Development of Services for Non-financial Support to Potential Entrepreneurs	MERR	1,000,000			2010	Project is being elaborated
7. Donation of the Kingdom of Norway „Development of Youth Entrepreneurship in the Republic of Serbia”	MOS, MERR, RARM SPP, BIP, Norwegian organization	456,683		456,683	November 2008 - November 2009	Completed
8. „Institutionalization of Mentoring as a Service for Support to SME Sector in Serbia” JICA, Japan	RARM SPP	1,000,000		1,000,000	September 2008- September 2011	Completed

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Financing		Planned Time for Start of Project Implementation	Documentation Status
			Internal resources	External Sources of Financing		
9. Private Sector Development in the Western Balkan Countries 2 – Component 1 Establishment of a Regional Association of Central Agencies for SMEs, the Government of Holland SPARK	RARM SPP	70,740	13,650	57,090	November 2008- November 2010	
10 Project: „Training and Technical Support for Public Administrations in the Balkans“, Italy / ICE Institute Dante Alighieri	RARM SPP				November 2008- November 2010	
▪ Training for Beginners in Business			15,000,000 RSD		2009	
▪ Project for Cooperation with Non-profit Organizations and Associations of Entrepreneurs on the Regional and Local Levels			20,000,000 RSD		2009	
▪ Analysis of the Needs of SMEE			9,442,137 RSD		2009	
11. Project for Capacity Building of the Chamber of Crafts and Support for Crafts Development	MERR	1,000,000			2010	Project is being elaborated
12. Project for Upgrading of Cooperative Farming in Serbia	MERR	750.00			2010	Project is being elaborated
13. Programme for Identifying the Missing Labour Profiles and Analysing the Needs for Training in the Priority SME Sectors	MERR	1,500,000			2010	Project is being elaborated
14. TAM and BAS Program	MERR	3,400,000			2010	Project proposal prepared
15. Programme for Development of New Instruments for SME Sector Financing (equity / venture capital, business angels)	MERR	1,000,000			2011	Project is being elaborated
16. Improvement of Business Services for SMEs	MERR	1,500,000			2011	Project is being elaborated
17. Programme for Development of Regional and Local Instruments for SMEs Financing (guarantee schemes and funds)	MERR	1,000,000			2011	Project is being elaborated

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Financing		Planned Time for Start of Project Implementation	Documentation Status
			Internal resources	External Sources of Financing		
18. Project for Establishment of the Regional Innovation Centre for the Western Balkans	MERR	2,500,000			2010	Project is being elaborated
19. Establishment of the Incubation Centre for Technologically Advanced SMEs with an Equipped Testing Centre	MERR	5,000,000			2011	Project is being elaborated
20. Programme for Support to SMEs in Product Certification and Obtaining CE Mark	MERR	750,000			2011	Project is being elaborated
21. Programme for Support to SMEs for Certification of Quality Management System and Environmental Protection (ISO 9000, ISO 14000, HASSAP etc.)	MERR	500,000			2011	Project is being elaborated
22. Support to SMEs Participation in the EU Innovation Programmes and Transnational Research Networks	MERR	1,500,000			2010	Project is being elaborated
23. Project for SMEs Forum Capacity Building	MERR PKS	750,000			2010	Project is being elaborated
24. Assistance to Internationalization of Enterprises	MERR	2,000,000			2010	Project is being elaborated
25. Innovation Infrastructure Development	MERR	10,000,000			2010	Project is being elaborated
26. Upgrading Capacities of Participants in the Innovative Process	MERR	2,000,000			2010	Project is being elaborated

Tourism

In the last three years, the substantial increase in the number of domestic and foreign tourists was recorded in the Republic of Serbia, and the substantial growth of foreign exchange inflow from tourism. In 2007, the number of tourists increased by 15% compared with 2006, whereas the foreign exchange inflow from tourism grew by 30%. This trend should continue in the future, because that is characteristic of the countries with higher levels of economic development. That is why the activities of the Ministry of Economy and Regional Development were focused on acceleration of the EU accession process, alignment of the legislation with the EU legislation, building of strong market-oriented institutions, better access to new markets and integration into the regional and global markets, to ensure faster development of the private sector and restructuring of enterprises in the tourism.

The reform of the sector of tourism is based on a defined strategic and institutional framework. The strategic development framework has been defined in the following national documents: National Strategy of Serbia for the Association with the EU, Strategy for Poverty Reduction and Strategy for Tourism.

Within these activities, the Ministry worked on amendment to the Law on Tourism and related bylaws. Their adoption is expected in 2009, and that would complement the legal framework for the area of tourism, with the aim to harmonize the domestic regulations with the EU regulations.

The Strategy for Tourism Development is implemented in the area of tourism, and 11 Master Plans for the priority tourist destinations have been elaborated, with the aim to reorganize and privatize

the state-owned tourist enterprises, upgrade tourism management and marketing, renovate facilities and create specialized tourist supply. All this will ensure increased competitiveness of the tourism economy, growth of foreign exchange revenues from tourism and increased employment in tourism. Within the medium-term period, the tourism infrastructure will be upgraded based on higher capital investments by all investors interested in tourism and catering. A modern database will be created, with the aim to monitor various tourism components that are equal to the European satellite bookkeeping, and important for defining the macroeconomic framework.

Medium-Term Priorities for Development of Tourism

1. By the end of 2010, the Stabilization and Association Agreement in the area of tourism will be implemented, by alignment of the laws and bylaws with the EU *acquis communautaire*, achievement of high-level consumer protection and efficient monitoring, along with improvement of the ministry capacities.
2. By the end of 2012, the tourist and utility infrastructure will be built in the priority tourism destinations.
3. By the end of 2010, the managing capacities of the employed in tourism will be aligned with the standards of the EU newly acceded countries.
4. By the end of 2010, the tourism information system will be established.

Table 27. Priority Projects in the Area of Tourism, in the Period 2008-2010

Project Title	Responsible Institution	Estimated Project value (EUR)	Data on Sources of Financing		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Financing	
1. Tourism Information System (NIP)	MERR	206,500	206,500 (NIP)		Second quarter of 2008
2. Satellite Accounts in Tourism (NIP)	MERR	124,000	124,000 (NIP)		In progress; completion by the end of 2008
3. Training of Human Resources in Tourism in Business Plan Implementation (NIP)	MERR	312,500	312,500 (NIP)		Second quarter of 2008
4. Analysis of Specialized Catering Facilities and Tourist Regions in Germany	MERR	80,000	0	80,000	First quarter of 2009
5. Analysis of Specialized Catering Facilities and Tourist Regions in Italy	MERR	80,000	0	80,000	First quarter of 2009
6. Preparation of the Cultural and Tourist Itinerary - (Roman Roads and Wine Roads)	MERR	3,000,000	300,000	2,700,000	2009
7. Building of a Visitor Centre on the River Uvac	MERR	240,000	100,000	240,000	Third quarter of 2009

Project Title	Responsible Institution	Estimated Project value (EUR)	Data on Sources of Financing		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Financing	
8. Elaboration of the Development Plan and Programme for Elaboration of a Plan for Detailed Regulation of the Tourist Zone Vrhovi – Odvracenica – Seremetovica – Golijaska reka	MERR	303,000	28,000	275,000	First quarter of 2009
9. Elaboration of the General Project for the Tourist Road on the Mountain Golija	MERR	225,000	0	225,000	First quarter of 2009
10. Elaboration of the Project for Increased Energy Capacities for the Tourist Zone Vrhovi – Odvracenica – Seremetovica – Golijaska reka	MERR	72,000	72,000	0	First quarter of 2009
11. Elaboration of the General Project for Water Supply and Waste Water Treatment in the Tourist Zone Vrhovi – Odvracenica – Seremetovica – Golijaska reka	MERR	58,000	58,000	0	First quarter of 2009
12. Elaboration of the Marketing Plan and the Competition Plan for Zlatibor and Zlatar	MERR	80,000	0	80,000	First quarter of 2009
13. Elaboration of a Plan for Tourist Signalling on Zlatibor and Zlatar	MERR	40,000	0	80,000	First quarter of 2009

The projects in the area of tourism mainly relate to strengthening of the institutional capacities of the tourist system of the Republic of Serbia, which should create the basis for further tourism development, in conformity with the above objectives, They are in line with the Strategy for Tourism Development, adopted by the Government of the Republic of Serbia, from which the following action plans derived: Plan for Building the Competitive Tourism Sector of Serbia, Marketing Plan and Investment Plan, which contain the guidelines for development of tourism in Serbia and the proposals for future investments

Along with these projects, the projects contributing to higher support for development of small and medium-sized enterprises should be proposed, and also those fostering higher foreign direct investments, completion of the privatization, and development of e-commerce and e-tourism.

Employment

In the previous period, Serbian Government has prepared several strategic documents aimed at encouraging employment. The most important document is the *National Employment Strategy for the Period 2005–2010* based on which the National Employment Action Plan for the Period 2006–2008 was adopted. The Programme for Active Employment Policy in the Republic of Serbia in 2009, which is based on the National Employment Strategy and was enacted in line with the provisions of the Law on Employment and Insurance in Case of Unemployment, has been prepared and its adoption is awaited. In addition, the proposal of the Law on Employment and Insurance in Case of Unemployment has been drafted and it should undergo the parliamentary procedure. Since the period for which the National Employment Strategy has been enacted is coming to its end, drafting of the new one should commence in 2009.

The dynamic and sustainable economic growth based on the rise of domestic savings and investments (private and public) and more significant inflow of foreign direct investments are of key importance for establishing sustainable employment growth trend. Encouraging development of SMEs, improvement of business and investment environment, improvement of financial incentives and support for self-employment programmes will significantly contribute to this end. The Employment Strategy anticipates the increase of the employment rate among young people, particularly in the age group from 15 to 24, by 20% in the period until 2010, the increase of the workforce proportion in the economically active population by 0.8% per annum, the growth of employment at the rate of 1.5% per annum, decrease of the survey unemployment rate by 0.5% per annum, and the rate of registered unemployment by 1.9% per annum. This tempo of the employment growth rate increase would generate up to 67% in 2010 according to the Strategy while this projection is corrected to 58.5% in the National Employment Action Plan (NAPZ) 2006–2008. However, since Serbia is at this moment confronted with the effects of the global economic crisis, it is not realistic to expect such a high rise of the employment growth rate.

Taking into considerations the high share of the grey economy in the GDP, the Serbian Government has planned for 2009 to intensify work on suppressing non-formal work. The Memorandum of Understanding has been signed between the Ministry of Labour and Social Policy, Ministry of Economy and Regional Development, social partners in Serbia and the International Labour Organization regarding the Programme of Decent Work in the Period 2008–2011. It is anticipated to ensure the shift of employment from non-formal to formal sector through the reform and integration of labour inspection which will result in the decrease of employment in the grey zone by approximately 2% per annum. In addition to that, improved flexibility of official labour markets accompanied by the faster growth of flexible forms of employment by 10% than the growth of standard forms of employment will affect reduced duration of unemployment while accelerated processes of reform will enable the rise of employment in the private sector. Adequate measures will affect reduced regional disparity in the employment rate and increase employment rate for women, as well as the increase of employment and activities particularly of vulnerable groups (disabled, refugees and Roma people).

Priorities, i.e. objectives of employment anticipated in the National Employment Strategy for the Period 2005–2010, set forth in the National Employment Policy Programme for 2009, are in conformity with measures defined in the Government's Programme for Mitigating Effects of the Global Economic Crisis, as well as with outcomes of the implementation of the National Employment Action Plan in the Period 2006–2008 ("Official Gazette of the Republic of Serbia", No. 45/05) and the Decision on Establishing the Programme for Active Employment Policy in the Republic of Serbia for 2008 ("Official Gazette of the Republic of Serbia", Ni. 7/08).

Therefore, the priorities of the employment policy in 2009 are as follows:

- 1) Retain employment level from 2008 and resolve labour – legal status of redundant employees;
- 2) Increase formal employment in the private sector and reduce regional differences;
- 3) Coordinate demand and supply at the labour market by realizing measures of the active employment policy;
- 4) Improve social dialog and increase efficiency of the National Employment Service (NES). The reform of the National Employment Service will be continued and it is in line with the enacted *Strategy for Changes in the National Employment Service* for the Period 2005 - 2008. This document anticipates the fulfilment of three most important objectives in the area of employment until 2010. These objectives are: orientation towards clients needs, decentralization of NES, and development, monitoring and evaluation of undertaken measures and activities aimed at higher employment.

Most of the projects in the previous period were realized within the Ministry for Economy and Regional Development and they were aimed at strengthening capacities of the ministry and institution building of labour market capacities.

However, unemployment is still one of the most important economic and social issues in Serbia. The unemployment rate according to the Workforce Survey in October 2008 was 14.7% and the employment rate was 53.3%. The unemployment rate is relatively high in comparison to the EU countries (the unemployment rate of EU27 was 7.0% in 2008), as well as in comparison to some neighbouring countries, such as Croatia and Bulgaria (the average unemployment rate of 8.5% and 5.6%, respectively)⁴¹. In addition to a large number of unemployed, the structure of unemployment in the Republic of Serbia is also very unfavourable since there is a high percentage of long term unemployed persons (70.8%) and high unemployment rate among young people in the age group 15 - 24 (37.4%), which is three times higher than average unemployment for this age group in the EU. Not only high unemployment but also hidden unemployment, low percentage of employment in the private sector and very low mobility of the work force are basic characteristics of the labour market in the Republic of Serbia. In the first four transitions, this problem was additionally amplified and in the next period, it is to be expected that the number of unemployed persons will even be increased. In 2007, the Law on Amendments to the Law on Privatization ("Official Gazette of the Republic of Serbia", No. 123/07) was adopted and it stipulates that by the end of 2008, the public invitations for public tender, i.e. public auction for the remaining 200 socially owned enterprises will be announced. The amendments to the above-mentioned Law, among other things, anticipate new authorizations of the Privatization Agency, relevant to the initiation and running of the process of forced liquidation of entities undergoing privatization with the majority socially owned capital, for which are several different legal grounds. This will result in termination of employment for the employees of the entities undergoing privatization, which will be put through the forced liquidation procedure. Generally speaking, the process of forced liquidation of the entities undergoing privatization will affect the unemployment growth. In line with that, the Budget of the Republic of Serbia has earmarked proceeds intended for a "Transition Fund" in the amount of 7,210,000,000.00 RSD for resolving labour-legal status of redundant employees which will involve around 18,000 employees.

The measures of the active employment policy in the broadest sense imply mediation in finding a job and advisory services, training and granting subventions for employment. These measures will be conducted by the National Employment Service in order to improve workforce supply at the labour market by organizing training courses, increase demand for workforce by granting subventions and improve operating of labour market through mediations for employment.

Taking into considerations the situation at the labour market, priorities of the employment policy and earmarked proceeds for 2009, as well as former results of deployed active employment policy instruments, the following measures will be implemented and directed towards the prevention of unemployment and encouraging employment through the National Employment Service:

- Career building, active job search, job search clubs, employment fairs, etc.,
- Programmes for additional education and training for the purpose of acquiring additional knowledge and skills for work at certain positions and labour market through additional qualifications (new necessary knowledge and skills for work in the same or lower degree of qualifications), re-qualifications (change of vocation), vocational training through programmes for trainees, volunteers, inclusion into practical training, etc.,
- Subventions for self-employment in order to establish enterprises, shops, and other forms of entrepreneurship by unemployed persons or persons who have become redundant employees,
- Subventions for opening new jobs for the purpose of hiring up to 50 unemployed persons by small, medium size and large enterprises. Organization of public work for the purpose of hiring categories of unemployed persons who have difficulties in finding jobs.

Priority categories of unemployed persons to be included in the measures of the active employment policy concern young people looking for the first job, redundant workers, refugees and displaced persons, returnees under the Readmission Agreement, as well as members of ethnic minorities with more discernible unemployment rate and unemployed persons with disabilities. Companies for professional rehabilitation and employment of disabled persons receive from the Budget of the Republic of Serbia monthly amounts per each employed person with disabilities of 50% of the average monthly wage in the Republic of Serbia according to the most recent data of the republican body in charge of statistical activities and at the annual level, proceeds are allocated for the improvement of work conditions and upgrading production programmes in these companies. In addition to that, the Proposal of the Law on Professional Rehabilitation and Employment of Persons with Disabilities anticipates that employers will be able to materialize the right to obtain subventions for wages in the duration of 12 months for persons with disabilities without work experience who have been hired by employers on a permanent basis. Subventions for wages will be materialized in the amount of a minimum wage established in compliance with labour regulations. The Proposal of this Law also anticipates

⁴¹ The source : EUROSTAT

formation (opening) of a special (earmarked) fund for financing measures for performing services concerning PWDs professional rehabilitation and employment; it anticipates introduction of new evaluation procedures (expert surveys) for determining PWDs status for the purpose of their professional rehabilitation, PWDs employment and their vocational training - education.

The following is planned within active employment measures in 2009⁴²:

- The measure involving active job search (clubs and training courses for active job search, employment fairs) should involve 86,840 persons in 2009 ;
- The programmes for additional education and training anticipate the involvement of 36,106 persons in 2009 ;
- Within the development of entrepreneurship and employment programmes (subventions for self-employment and subventions for opening new jobs) anticipate involvement of 21,814 persons in 2009;
- Public works aimed at improving and maintaining employability of long term unemployed persons and others who have been deprived at the Labour Market through their engagement for special projects which will involve a target group of 5,000 persons in 2009. In so doing, the projects will be realized at the local level which will contribute to the community wellbeing in the sense of preserving and advancing the environment and improving the social and economic structure.

In 2009, for the implementation of active employment measures, the Budget of the Republic of Serbia has envisaged proceeds in the amount of 3 billion RSD

Basic *directions of the NES changes* refer to: the increase of the NES proportion at the labour and services market which further implies establishment of daily contacts with employers in order to familiarize with their needs to find new workers and services, periodical surveys of employers for the purpose of harmonizing the demand and supply, development of the labour market movements forecasting system, organization of interviews and workshops with employers in order to adjust services to the requirements of a certain group of employers and set up a regional and municipal network of contacts with employers with an aim to reemploy redundant workers, as well as to strengthen social dialog and establish social partnership for resolving unemployment issues at all levels.

Of particular importance is the development of *labour market information system*. The Proposal of the Law on Employment and Insurance in Case of Unemployment (which should undergo parliament procedure) abolishes provisions of the Law on Evidences in the Area of Labour and Employment which refer to employment and evidence in the area of employment and these will be governed by the newly proposed Law. In addition to that, it is necessary to further adjust the structure of information in the system of evidence run by the NES to the WAPES standards, develop and implement ILO and EUROSTAT standards, and enact laws about statistical researches. Activities directed towards the innovation of the national classification of vocations are currently underway. It is necessary to prepare national standard for qualifications in the education of adults, development of career guides for adults and self-assessment instruments. Although the Centre for Information and Professional Advice within the NES has been established, it is still necessary to make competence profiles for the unemployed, develop the system for accreditation and certification of adult education, develop the profile of an employment counsellor, reduce number of pupils involved in activities of professional orientation in the NES and form centres for career development at faculties and schools.

Similar measures are supported by *Poverty Reduction Strategies*. Priorities in the next period from the aspect of the application of the PRS refer to: creating flexible and competitive workforce market; creating efficient programmes for employing redundant workers arising from the privatization of socially owned and restructured public enterprises with an emphasis on active measures; creating programmes for the employment of specially threatened and vulnerable groups; forming regional and local councils (coalitions) for employment aimed at devising efficient local development and employment strategies based on the analysis of risks and potentials particularly in least developed areas; continuing with the reforms of the National Employment Service.

For the purpose of reducing *regional differences* at the Labour Market, the Regional Development Strategy in the Republic of Serbia for the Period from 2007 to 2013 has been enacted with an aim to improve competitiveness of the economy and strengthen innovative capabilities in all regions primarily in those less developed ones. In order to mitigate structural inequalities at the regional labour markets, active measures of the labour market will be deployed as they are harmonized with the requirements and specific features of each of the regions. Based on established levels of risks, allocation of proceeds will be carried out for active employment programmes in every region and strengthening partnership between the state, local authorities, private and public sectors and social partners. It will be continued with the approval of loans to employers under favourable terms and conditions who wish to invest in devastated areas in order to increase employment in these areas through the Development Fund.

⁴² The Plan of Measures for the Active Employment Policy in 2009 from the proposal of the Programme for the Active Employment Policy in 2009

By summarizing directions of reforms in this area which have been elaborated above, it can be stated that relevant ministries will be confronted with the following key requirements:

- Strengthening of active measures for employment which imply stimulation of entrepreneurship, self-employment by launching own businesses, subventions for employing certain categories of unemployed persons in the amount of contributions and taxes for compulsory social insurance paid by employers, as well increasing the employment rate based on faster development of small and medium size enterprises;
- Increasing employment of vulnerable categories of population, that is, ethnical minorities (young people, disabled persons, Roma people, refugees and displaced persons, as well as returnees under the Readmission Agreement, long term unemployed persons, and non-qualified persons) through the implementation of special programmes tailored for such groups;
- Strengthening of labour market institutions, development of an information system and a system for tracking and evaluating effects of undertaken measures of the active labour market policy.

Table 28. Priority Projects for the Area of Employment in the Period 2009 - 2011

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Financing		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Financing	
1. Project "With Severance Pays to Jobs"	Ministry of Economy and Regional Development (MERR)	2,000,000 EUR + 211,264,000 RSD	211,264,000 RSD	2,000,000 UNDP, ADA	2006-2009
2. Twinning Project "Support for the Development of the National Employment Policy"	MERR	1,500,000		1,500,000 CARDS 2006	2007-2009
3. Project "Promotion of Young People Employment in Serbia"	MERR, Local Self-Government	1,200,000 USD		1,200,000 USD ILO	2007-2009
4. Project "Support to Unemployed and Human Resources Development"	NES	2,500,000		2,500,000 CARDS 2004	2007-2009
5. Drafting National Strategy on Migrations	Serbian Government				2009
6. Establishment and Strengthening of Local Employment Councils	MERR, Local Self-Government	*		Donations	
7. Implementation of the Law on Professional Rehabilitation and Employment of Persons with Disabilities	MERR	275,000 RSD	275,000 RSD		2009,
8. Project "Support for the Inclusion of Disabled Persons"	MERR, NES	3,700,000		3,700,000 proposed through IPA 2009	

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Financing		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Financing	
9. Project "Improvement of Institutional Capacities for Professional Rehabilitation and Employment of Persons with Disabilities"	MERR, NES	400,000		400,000 proposed for proceeds of the Kingdom of Norway	
10. Twinning Project "Modernization of the National Employment Service"	NES	1,500,000		1,500,000 CARDS 2006	2007-2009
11. Project "Capacity Building, Information, and Raising Awareness with an Aim to Promote Regional Migrations in the Western Balkans Area"	NES	1,450,000		1,450,000 IOM	2008-2010
12. Preparation of Surveys "Forecasting Labour Market Movements in Serbia"	MERR	10,000,000 RSD	10,000,000 RSD		2008-2009
13. Drafting of a National System for Vocational Classification	MERR	18,000,000 RSD	18,000,000 RSD		2008-2009
14. Project "Strengthening Work Capacities for Inclusive Local Development in Southern Serbia"	MERR, NES, MP, MZ, MOS, Ministry for State Administration and Local Self-Governance, Ministry for Human and Minority Rights, Local Self-Government	8,831,537.68 USD		8,831,537.68 USD (ILO, UNDP, UNICEF)	2009-2011
15. Project "Support for National Efforts to Promote Employment of Young People and Migration Management"	MERR, MOS, MRSP, Ministry for Human and Minority Rights, NES, CSR, RZS	8,043,138 USD	1,900,000 USD	6,143,138 USD MDG Spanish Fund (IOM, ILO, UNDP, UNICEF)	2009-2011
16. TEMPUS Project "Prequalification for Unemployed Highly Educated Persons in Serbia"	University of Novi Sad (NES partner)	701,000		701,000	2009-2012
17. TEMPUS Project "Frame Development for Lifelong Learning"	University of Kragujevac (NES partner)	580,000		580,000	2009-2012

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Financing		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Financing	
18. Project for PRO Programme Migration	UNDP (NES partner))	300,000 (for the 1 st stage)		300,000 (for the 1 st stage) UNDP	2009
19. Project "Forecasting and Archiving" – IPA 2008	NES	1,500,000		1,500,000	
20. Programme of the European Community for Employment and Social Solidarity - Progress	MERR	100,000	100,000		2009
21. Programme for Vocational Training of People who Deal with Employment Business	MERR	MERR			2005-2010

** It is necessary to evaluate the value of the project, as well as the breakdown structure of funding sources in cooperation with the competent ministry and competent institutions*

3.4. Labour and Social Policy

According to the Law on Ministries, the Ministry of Labour and Social Policy (MLSP) performs the activities of state administration related to: system in the field of labour relations and labour rights in all forms of employment, except in the government bodies; salaries and other allowances arising from work and salaries in public sector except in the government bodies; then in the field of occupational safety and health and inspection supervision, trade union organization , strikes; realization of rights arising from employment of citizens temporarily employed abroad; protection of citizens employed abroad; conclusion of agreements on employees sent to temporary work abroad by their employers and sending of employees abroad for temporary work ; records keeping in the field of labour, as well as signing of international conventions in the field of labour, occupational safety and health and social insurance.

The Ministry is responsible for social welfare system; family legal protection system; marriage; gender equality; population policy; family planning; family and children; realization of rights and integration of refugees and displaced persons, returnees on the basis of the agreement on readmission, Roma population and other vulnerable groups, system of pension and disability insurance, social insurance and protection of personnel with military insurance, protection of veterans with disability, as well as organizations of disabled veterans and disabled persons, protection of monuments, military graves and graveyards and graveyards of veterans in the country and abroad.

With its legislative solutions and its overall activities, the Ministry of Labour and Social Policy tracks and supports the reforms defined by the Government of the Republic of Serbia, and priorities of the Ministry in the forthcoming period could be summoned up in seven main groups:

- Promotion of decent work condition;
- Social policy as a part of development strategy and one of the key segments of political and economic reforms will be directed to active role in the prevention of poverty and prevention of social problems;
- Provision of support to the poorest population, pensioners, old persons, children without parental care, refugees and displaced persons, persons with disabilities, as most vulnerable categories of population, by applying the measures of social policy that will be in the function of increasing the quality and dignity of human life;
- Measures of population policy for the purpose of improving the quality of life of families and children, as well as of old people, which will contribute to the sustainable demographic development as main factor of the overall development, and also for realization of rights and integration of refugees and displaced persons, returnees on the basis of agreements on readmission, Roma population and other socially vulnerable groups;

- Redistribution of transitional burden according to economic strength, on the principle of social justice and solidarity;
- Opposing all kinds of discrimination and creating equal chances for everyone;
- Harmonisation of labour and social legislation with EU standards.

In the domain of social security, priorities are to intensify activities on the creation of new law on social security, introduce quality system in the field of social welfare, and to introduce the system of control and delivery of services at the local level. The most important document is the Strategy of Social Welfare Development with available, high quality and diversified services with the aim to preserve and improve the quality of life of vulnerable and marginalized social groups and individuals and to make them capable for productive life in the community, instead of being dependant on social services. The existing system of social welfare consists of two main programmes: social income support to the poorest families and children allowance. The existing system of social welfare is basically good and modern, and its main properties such as the line of poverty, supplementing up to the line of poverty, poverty line indexing by the cost of living should be retained. Introduction of the "minimum level of social security" in the territory of Serbia in 2004 improved the access to social income support, and resulted in the increased amount of social income support and increased number of families beneficiaries of social income support in the poorest municipalities. Additional budget resources were approved for this kind of support through bigger amount of transfers and broader coverage of the most vulnerable categories of population.

Improvement of the efficiency of social security by applying the Strategy for Poverty Reduction, Strategy for Social welfare Development and by revitalizing the economic activity, it is expected to have more resources earmarked for social benefits, which on a long run, will have to be decreased in relation to GDP. Social welfare reform is needed for the purpose of better aiming at social transfers, in terms of broadening the social income support through bigger transfer amounts and through the network of social security that would include the most vulnerable categories of population which are currently not satisfying the criteria for social income support and providing access to all beneficiaries that satisfy the criteria but are not currently realizing social security, like Roma population, refugees and internally displaced persons from Kosovo.

It is necessary to connect different sectors at central and local level (employment, education, health, social security) to ensure an integral approach in social security with emphasis on active measures of social policy. An important element of long-term strategy is the reform of social services that should be directed towards deinstitutionalization, development of alternative forms of social protection and inclusion of different factors in the sphere of services provision. Such programmes are already piloted at local level through programmes of Social Innovations Fund and Fund for Financing Organizations for Persons with Disabilities. Citizens will satisfy their needs first of all at local level, in their living environment, choosing the services which are the least restrictive for them, except for those services whose organization at regional level is deemed as more rational. Accordingly, conditions and mechanisms for local self-governance to takeover the responsibility for satisfying the needs of citizens in the field of social security will be ensured. Resources for financing the services will be provided from sources of finance of local self-governance, and from the Republican Budget for municipalities that can not provide from their sources of finance defined minimum of rights in social security.

In line with the Strategy for Poverty Reduction, in addition to the decentralization of the social security system, particular importance is given to provision of more efficient material services and higher quality support services, as well as to strengthening of professional capacities of personnel employed in social security sector. In order to attain better quality of life of social security beneficiaries, it is necessary to provide improved offer of services in terms of their kind and quality in all types of accommodation, create conditions for satisfying the needs of beneficiaries in adequate way, which means shorter stay of children and young people in institutions, and making them capable for independent life, use resources rationalisation in development of social security services.

In order to realize midterm objectives in the field of social welfare international support is needed. In the line with that following priority measures/ activities have been defined, that need to be realized in order to achieve given objectives.

Objectives	Measures/activities
Strengthening legislative and institutional capacities in a social welfare domain	<ul style="list-style-type: none"> ▪ Developing Law on social welfare ▪ Development National Strategy against family violence ▪ Changes in Law on Family ▪ Development of appropriate regulations ▪ Changes of the Law on Financial support to the families with children

	<ul style="list-style-type: none"> ▪ Improvement of the management system and modernization of work of social services providers
Improvement of system of protection of the poorest citizens	<ul style="list-style-type: none"> ▪ Regularity of financial and other contributions ▪ Securing wider range of social beneficiaries ▪ Regulating the level of social transfers ▪ Establishing mechanism for transfer of funds to local selfgovernments that don't have capacity to dfinance services (especially the ones intended for people with disabilities) ▪ Development of employment programme for the users of support and are capable for work ▪ Development of programmes that will activate users of social support that are capable for work ▪ Decision of minimum of rights, standard of services and controlling of consumption of rights that are local selfgovernments in charge of. ▪ Development of specific social programmes aimed at poor population that is not capable for work.
Promotion of concept of support of natural family	<ul style="list-style-type: none"> ▪ Development of services and service providers to support natural family ▪ Promoting and development of programmes intended to support natural family ▪ Creating conditions for economical empoweremnet of families with children ▪ Developing social inclusion and diminishing risks of discrimination specifically of vulnerable groups
Development of the quality system in the social welfare system	<ul style="list-style-type: none"> ▪ Continuation of the process if training accreditation ▪ Introducing and implementing licencing system in social welfare service providers in Serbia ▪ Defining new minimal standards in providing social services ▪ Strenghtening professional and expert capacities of employees in social services ▪ Establishing of licencing system and further development of inspection system ▪ Securing the implementation of effective system of effective supervision support
Introducing systems of control and independent monitoring (regulatory mechanisms)	<ul style="list-style-type: none"> ▪ Strengtening control role and functions ▪ Introducing the system of codex of professional behaviour ▪ Establishing unique database that will allow monitoring of needs, services and results at all levels
Development of services network in community	<ul style="list-style-type: none"> • Creating conditions to develop services in the local community that guarantee protection of vulnerable groups in the least restrictional surrounding and support to the natural family ▪ Developing integral approach in identifying needs and planning services in community ▪ Developing new and improving quality of existing service at the local level ▪ Establishing and development of methodology to identify needs of vulnerable groups- children and adults ▪ Securing transperent and efficient system to introduce clear procedures and inform beneficiaries ▪ Securing and improving quality of life of vulnerable groups ▪ Creating conditions for using existing services in local community that should be inclusive for children, people with disabilities, old people and all vulnerable groups
Transformation of the residential care institutions and development of alternative forms of protection	<ul style="list-style-type: none"> ▪ Establishing suistanable alternative forms of care and protection of children and adults especially through development of missing community services ▪ Continuation of process of deacreasing the number of beneficiaries in residential care institutions ▪ Improvement of protection of children without parental care through applying protection measures in a less restrictive surroundings ▪ Development of small capacity residential care institutions for missing services for taking care of beneficiaries ▪ Adopting the midterm plan of transformation of facilities ▪ Establishing the new network of residential care institutions

	of beneficiaries <ul style="list-style-type: none"> ▪ Further increasing the number of foster care families ▪ Establishing network of foster care families for so called specialized foster care ▪ Establishing network of foster care families for so called urgent foster care ▪ Establishing regional centers for family accommodation
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Promotion of decent work, further development of social dialogue and collective negotiations at all levels and adoption of regulations agreed between social partners are the priority activities of the Ministry. In April 2008, General Collective Agreement between the representative Trade Unions and Association of Employers established for the territory of the Republic of Serbia was signed, and the minister of labour and social policy brought Decision on the application of General Collective Agreement by all employers in the territory of the Republic of Serbia, except for provisions related to financial obligations of the employers, the application of which was postponed for the period of six months. Besides, the Government and partners in social dialogue have signed the Agreement on further development of social dialogue in order to moderate negative effects of the world crisis, create conditions for accelerated economic growth, preserve the employment and macro-economic stability, as well as obligation to conclude individual collective agreements at sectoral levels, to provide realization of rights of the employees in these sectors as well.

Rights and obligations of employees and employers in most of public enterprises founded by the Government are regulated by collective agreements concluded among the Government, representative Trade Unions and public enterprises managers. In addition, collective agreements in public services were signed with Government participation in their conclusion, and they refer to the employees in social protection services, education, cultural institutions, institutions for standard of living of students, government bodies and territorial autonomy units and local self-governance, as well as in scientific institutes. Socio-Economic Council of the Republic of Serbia has 18 members, it consists of six representatives of the Government, six representatives of representative Trade Unions and six representatives of the associations of employers for the territory of Serbia; its main activities are stipulated by the Law and they refer to the consideration of issues of development and improvement of collective negotiations, effects of economic policy and measures for its implementation on social development and stability, employment policy, wages and prices policy, competition and productivity, privatization, health and social protection and security, and other issues of importance for social and economic position of the employees and employers. In addition, the Council brings a decision on minimum wages for the minimum period of six months. There are socio-economic councils active at the level of territorial autonomy and local self-governance. Problems that have existed during the foundation of local councils are as follows: lack of representative associations of employers at local level, lack of initiative of social partners for foundation of local councils, unexpressed interest of social partners for social dialogue for which reason we could not be satisfied with its functioning and role in the reforms, especially bearing in mind that only 17 socio-economic councils have been entered into the Register of local councils in the previous period.

More than 19,000 trade unions have been entered into the Register of Trade Unions until today, and this register is kept with the Ministry, and 63 associations of employers have been entered into the Register of the Association of Employers. In the forthcoming period it is planned to decentralize these registers to the level of territorial autonomy and local self-governance.

An important role in the development of social dialogue is connected to solving of disputes in amicable way, both those collective disputes arising between the trade unions and employers and individual arising between individual employees and employers. Until 2005, the Republican Agency for solving of disputes in amicable way has solved 3,602 individual and 42 collective labour disputes. Moreover, proposal of the Law on Changes and Amendments to the Law on Solving Labour Disputes in Amicable Way will cover more types of labour disputes (collective and individual) that could be solved in accordance with this law, and it will be enabled, in addition to parties to the Collective Agreement, for other parties in disputes to solve their disputes in accordance with this law; special condition will be defined for election of arbiter and there will be other changes and amendments to provide for efficiency in the application of methods for solving the labour disputes in amicable way.

Improved efficiency in the work of socio-economic councils at all levels and establishing of different forms of cooperation between social partners will allow adjustment of standpoints of social partners for solving the problem of unemployment, increasing the living standard of inhabitants, and other issues of common interest. Further development of this system is a key priority of the Ministry of Labour and Social Policy and it represents a pillar of the planned structural activities projected for the coming period.

Amendment in Law on Labour (Official Gazette RS number 54/09) prescribe that employer can, with previous approval of the Minister in charge of labour, remit employees to the paid leave longer than

45 working days in one calendar year. Before approving Minister has to request opinion from representative sector trade union established on the level of Republic of Serbia. This created legal opportunity for employers to send employees on paid leave instead of firing them when there is a decrease of work load due to economic crisis. This legal solution represents one of the ways to protect existing working places in situation of decreasing work load and economic crisis.

Main priorities in the domain of labour relations are related to the changes of the Law on Labour, elaboration of the new law on pays of employees in public services, Law on Strike, Law on Records in the Field of Labour, Law on Protection of Citizens of the Republic of Serbia Working in Foreign Countries, Law on Voluntary Work and implementation of the Law on Preventing Mobbing after its adoption by the National Assembly of the Republic of Serbia. Changes and amendments to the Law on Labour will enable harmonization with the EU regulations. The Law will be adjusted to the market labour conditions which means creation of legal basis for greater adjustment of the employees to market labour conditions (bigger mobility of the employees, upgrading of the level of know-how and competences, etc.) and improvement of the existing and introduction of new, more flexible forms of employment, thus providing conditions to secure existing working places and to increase the level of employment. Besides, it is planned to change the provisions related to defining of the representation aspect of Trade Unions and keeping of the Register of Trade Unions. Records keeping in the field of labour will be arranged and defined in accordance with the international standards. New Law on records in the field of labour will ensure necessary data to enable an insight into the situation and problems in the field of labour which is a basis for implementing the adequate policy and undertaking adequate measures in the field of labour.

Preparations of the Law on Voluntary Work which will govern the issues of voluntary work, as well as voluntary and free-of-charge work for the benefits of others or for general welfare, thus contributing to solving of numerous problems existing in any community and strengthening of solidarity among community members.

It is planned to implement the Law on Mobbing, after its adoption by the National Assembly of the Republic of Serbia. This means adoption of the regulation that will stipulate the rules of behaviour for the employers and employees related to the prevention of and protection from mobbing at work. Activities of the Ministry of Labour and Social Policy, as well as social partners will be directed to the promotion of decent conditions for work, i.e. rules of behaviour at workplace and in relation to the workplace that will create healthy environment for relations among people, in the spirit of team work, respect for individual dignity at workplace, etc.

It is planned to regulate the protection of citizens of the Republic of Serbia working abroad, in accordance with the international standards. In the field of wage policy, it will be continued with a strict wage policy in public sector, meaning that the growth rate of wage will be in accordance with the growth rate of productivity at work. Wages in public services will be regulated by separate regulation that will establish a stimulating wage system with the aim to improve the quality of public services provided. In addition, the Ministry continues to track the work of the Solidarity Fund which has been operating since 2005. It was established to protect and ensure the rights of employees of bankrupted enterprises. In addition, it is planned in the forthcoming period to redirect a part of the activities of the Fund into investments in human capital, i.e. upgrading of peoples expertise and qualifications in order to secure the existing posts and increase employment.

Reform of state pension insurance is also the responsibility of the Ministry of Labour and Social Policy (in cooperation with the Ministry of Finance) and it has started in 2001 with the changes to the law when the age limit for retirement was changed, rate of contribution to pension fund decreased and new model of pensions alignment introduced. Besides, the reform has continued in 2003 by adoption of the new Law on Pension and Disability Insurance which, among others, brought changes to the system of pension's calculation by introducing personal points and principle that pensions shall be set according to the earnings during the entire employment period. In this way more direct link was established between contributions and amount of pension. Besides, payment of contributions was introduced for all income stemming from work.

The pension system, in spite of reforms carried out in 2001, 2003 and 2005, it is still characterized by unfavourable proportion between the number of pensioners and insurance beneficiaries. Contributions do not cover financing of pensions – about 32% of contributions to pension fund are donated from the budget (annual deficit of pension fund accounts for about 4.5% of GDP).

Continuation of the pension system reform should be twofold – the first group of measures based on continuation of the reform of obligatory insurance, and the other – development of voluntary private pension insurance. The reform of obligatory insurance means, among others, consolidation of pension funds, improvement of information system and reorganization of the main register of insured population (collection of data, registration of beneficiaries and data management); further improvement of control of regular collection of contributions and discouraging the contribution payment avoiding. From 1 January 2008, a single Republican Fund for Pension and Disability Insurance has started to operate; it was founded by merging the three pension funds which operated in dependence of the kind of insurance –

employees, self-employed and agricultural producers. Financial consolidation of these funds will be completed until the beginning of 2011. In 2009, it is envisaged to regulate by law inclusion of the fund for insurance of military personnel to a single pension system of Serbia. Central register of insurance beneficiaries and insurance and income tax payers will be established by the end of 2011, thus enabling, through the reform of administration and development of information system, more efficient control and collection of contributions, as well as strengthening of capacities for better links between the Tax Administration and Pension Funds. In addition to activities directed to the improvement of administrative functioning of pension fund, as well as to better collection of contribution, in the forthcoming period it will be very important to improve the financial situation in the state pension system (first pillar). Due to high transitional expenses needed for introduction of the second pillar (obligatory private pension insurance), as well as negative aspects noticed in the pension system of those countries that have included this kind of insurance in their system, it is not planned to introduce the second pillar into the pension system of Serbia in the forthcoming period. Simultaneously with the reform of state pension system, voluntary pension funds (third pillar) started their operations in 2006, thus extending the structure of the pension system. Their functioning will be developed in the forthcoming period, which will have considerable impact on the stability of the overall pension system and its long-term sustainability. In order to assure this, citizens need to be informed about the objectives and importance of pension reform and introduction of voluntary pension insurance, to ensure broader social support for these reforms. Introduction of voluntary private pension funds will ensure bigger income to beneficiaries in their older age and at the same time contribute to capital market development.

Development priorities in this segment are: continuation of consolidation of three funds for Pension and Disability Insurance ; preparation of legislative solutions for the status and rights of military insurance beneficiaries and military pensioners and their integration into the system of pension and disability insurance; as well as defining long-term strategic direction of the system development.

One of the most vulnerable categories of population are persons with disabilities and according to estimations, there are about 800,000 of them in Serbia. More than 70% of persons with disabilities are poor, and even one half of their income originates from income support provided through different measures of social policy. Ministry of Labour and Social Policy is financing programme activities of more than 500 associations of persons with disabilities. In addition to mentioned, projects of associations of persons with disabilities are also financed with the aim to improve the position of persons with disabilities in the Republic of Serbia. There were 71 project financed in 2009.

On 17 April 2006, National Assembly has adopted the Law on Prevention of Discrimination of Persons with Disabilities. This is the first anti-discrimination Law in the Republic of Serbia. This Law governs the general regime of prohibition of discrimination based on disability, special cases of discrimination of persons with disabilities, procedures for protection of persons with disabilities exposed to discrimination and measures to be undertaken to encourage equality and social inclusion of persons with disabilities.

On 28 December 2006 the Government of the Republic of Serbia has adopted the Strategy for Improved Position of Persons with Disabilities in the Republic of Serbia. The Strategy represents a mid-term plan of activities for all social actors in the Republic of Serbia thus strengthening the foundations of civil society that the Republic of Serbia is perusing and the measure of success of the realization of this strategic objective would be the rate of objectives attainment defined by this Strategy. Objectives of the Strategy are defined for the period 2007-2015, with action plans which are adopted for the period of two years.

The needs in this field are considerable, regardless of the efforts of the state and associations of persons with disabilities. Priorities in this field are: development and support to alternative forms of protection of persons with disabilities and provision of the access to communication and information through development, creation and application of innovation and new technologies and the use of best practice in the world and neighbouring countries to enable more successful inclusion of persons with disabilities into social and economic life of Serbia; developed mechanism for registration of persons with disabilities for the purpose of statistical evidence and development of strategic measures for improvement of position of these persons, including monitoring of measures and objectives of the Strategy for improvement of persons with disabilities position; promotion of rights of persons with disabilities.

Republic of Serbia ratified Convention on rights of disabled persons and following Optional protocol. National Assembly adopted on 29th May 2009, Laws to confirm Convention and Protocol. Ratification instrument was received on 31st June 2009.

Adoption of Convention on rights of disabled persons is an important step in development and protection of human rights in Republic of Serbia, bearing in mind that people with disabilities according to estimations represent 10 percent of general population. Convention represents the first legally binding international instrument that in comprehensive way treat rights of people with disabilities. Goal of the Convention is to promote and assure complete, efficient and equal consumption of rights and freedoms by people with disabilities based on equity, combat of stereotypes and bias and raising awareness of

possibilities that people of disabilities have, fight against discrimination based on invalidity and guaranteed legal protection.

Measures of population policy are referring to activities directed to put a stop to a negative demographic trend and improvement of living conditions of old people, improving the position of families and social inclusion of insufficiently integrated population groups (refugees and internally displaced individuals, Roma population, victims of human trafficking and other vulnerable groups). Priority activities in this field are defined in the Strategy for Poverty Reduction, Strategy for Sustainable development, as well as in separate strategies: Strategy to Encourage Child Birth, National Strategy on Aging and other strategic documents and signed international agreements. Human resources of Serbian municipalities will be analysed from the standpoint of demographic, economic and social aspect, since they are relevant for adoption of strategic document on comprehensive population policy.

The aim of the Strategy to Encourage Child Birth is to attain the targeted demographic development through activities providing direct financial support to families, active measures for the employment of young unemployed parents, favourable conditions for solving the problem of housing for parents with children, development of variety of programmes and services of kinder gardens and schools, development of different services for families, strengthening the competences for parental role, protection and improvement of parents' and children's health, establishing population policy in local communities, creation of conditions for safe and approximately equal conditions for development of all children. Instead of tax exemption measures, encouraging of child birth will be performed by the provision of direct financial support to families and children (subsidies will be given to families with children as target groups and poor population that need subsidies, in accordance with the law), development of family support services for child's care, programmes for raising parental competences and education on population.

Population policy measures are, by their character, general and their implementation is unified in the entire territory of the Republic of Serbia, but it is of particular importance for their efficiency to supplement them with the measures of the local self-governance bodies financed from the local sources of public revenues. In addition to role of local self-governance, crucial factors for the establishing of population policy, creation of conditions and implementation of measures, both those defined by strategies and by local plans are institutions for health and social security, schools, kinder gardens, red cross organizations, local media, enterprises and other entities that could considerably contribute to more efficient realization of determined objectives by performing their activities and measures and by creating a positive population climate.

Demographic and economic situation, degree of specific services development, as well as other factors which influence the possibility to satisfy the needs of families with several children (employment, rural or urban area, number and structure of households, infrastructure, cultural and other social aspects of life) is different in various regions of Serbia. These differences, together with the existing services and personnel resources are of significant importance for definition of local plans and organization (provision) of support services needed.

Establishment of population policy in local communities is one of specific objectives of the Strategy. To attain this objective it is necessary to provide the support for local communities by informing all involved parties and by providing resources to rather weak local communities for the development of services needed.

Activities defined in the National Strategy on Aging are intended to ensure conditions for dignified life in the old age by the means of developing a variety of services in local surrounding necessary for good quality of life of the old people.

Activities in population policy, implemented by applying measures defined in the strategic documents, will contribute to the required demographic development, i.e. sustainable development. According to data of the Republican Statistical Office, Demographic trends indicate that population of Serbia (excluding Kosovo and Metohija) ranks among the oldest population in the world. More than 950,000 persons in Central Serbia and about 300,000 persons in Vojvodina, i.e. one sixth of each of these populations, is of the age of 65 and above (according to projected data, the process of population aging in areas in Serbia with small birth-rate will continue in the first half of 21st century and the number of people in the age of 65 and above will be increased for one third in 2052, and depending of the projected variation, i.e. realized fertility rate, it could vary from 22% to 27%), which is a result of negative growth rate for many years and which is much below the simple population reproduction. Insufficient child birth, in addition to directly affecting demographic development, i.e. decrease in population in Serbia for more than 25,000 every year and increase of the share of old people in total population, effect also indirectly the economic and social development, since the number of active, economically active population decreases.

Large number of refugees and internally displaced people (more than 300,000, and it is assessed that above 10% of them are extremely vulnerable) come under socially and economically most vulnerable group of population which need support for the improvement of social position and appropriate integration in the environment temporarily provided for it, and especially for persons in collective centres. Significant number of these persons is located in the territory of municipalities in the South of Serbia.

By signing the Agreement between Serbia and European Community on readmission of illegal immigrants concluded on 18 September 2007 and entered into force on 1 January 2008, Serbia has undertaken the obligations to implement the activities of reception and reintegration of returnees as stipulated by this and other agreements.

To achieve efficient social integration of refugees, displaced persons and returnees on the basis of readmission, it is necessary to have a comprehensive approach of all stakeholders in local community that have to provide for such support. Since services for ensuring social integration are mostly in the competence of local self-governance, which are obliged by the law to satisfy the needs of their citizens in the field of social security, housing, etc. it is planned to organize regional meetings with the aim to educate stakeholders in local communities, as well as to provide financial support to local self-governances which do not have enough economic power and thus, at the same time, contribute to the process of decentralization and strengthening of the role of local self-governance. Resources for local self-governance will be provided in accordance with the Programme adopted by the Minister responsible for social security. The resources are allocated for local self-governances for the purpose of creating conditions for sustainable integration by providing infrastructural and housing conditions and conditions for self-employment. In this way, between 600 and 1000 families could be taken care of, i.e. something between three to five thousand persons.

To provide urgent support for most vulnerable returnees which do not have any property and income for living, it is necessary to ensure lump sum supports. The resources for lump sum support will be distributed through local self-governance on the basis of separate Government decision.

Conducted analyses indicate high concentration of extreme poverty among Roma population. Out of the total number of Roma people in Serbia, even 60.5% of those who live in settlements are considered very poor, and 9.8% of them are considered to be extremely poor. At the same time, a large number of Roma population, especially children, is marginalized and insufficiently included in society, with an outstanding occurrences of mistreat, negligence, exploitation and family violence.

In addition to income aspect of poverty, the poverty in terms of education, employment, health security and housing is also present and this is related with difficult access and insufficient use of public services. In order to improve social inclusion of Roma people in all spheres of society it is planned to increase the number of municipalities that have coordinators for Roma issues. Employment of coordinators has been ensured in 20 local self-governances until today. Coordinators for Roma issues shall contribute by their work to better provision of information to Roma population concerning their rights and possibilities to access all public services, but also to contribute by their participation in the elaboration or implementation of local development plans to better respect for specificities of Roma population important for increasing efficiency of support services for integration and realization of rights of Roma population.

In implementing the Strategy for Fight against Human Trafficking in the Republic of Serbia it is necessary to ensure in the forthcoming period appropriate conditions for providing care for human trafficking victims and continue to improve conditions for performing activities related to protection and social reintegration of victims of trafficking.

For the purpose of coordinating the protection of victims of human trafficking, in 2004 the Ministry established with the support of OESD the Centar for coordination of protection of the victims of human trafficking. This Centar is a central operating body of the national mechanism for fight against human trafficking and protection of victims, and it is included into the Republic team for fight against human trafficking.

Within the Ministry's responsibility is the necessity to ensure that victims of human trafficking are temporarily taken care of (in specific conditions because of the need for isolation). In addition to enforced laws and adopted strategies in Serbia related to the protection of the Serbia nationals, the obligation of the government stems from the Declaration on obligations signed at Ministerial Forum of the Stability Pact in 2002 by which obligation has been taken to guarantee the prolongation of stay of foreign nationals which are victims of human trafficking until their recovery, in order to ensure their witnessing against organizers of human trafficking and thus breaking of the network of this type of organized crime.

By implementing the adopted Plan for protection of victims of human trafficking their protection will be ensured, as well as the contribution to the integration of victims of human trafficking; conditions for taking care of the victims will be improved by strengthening the capacities of services for social security and other organizations which are providing services related to the protection of victims of human trafficking, simultaneously creating conditions for protection of underaged victims. It is necessary to improve the conditions for caring out the work related to coordination of protection of victims of human trafficking with separation of the coordination activities from activities and organization of protection, as well as to continue to train the stakeholders to recognize the phenomenon and undertake appropriate measures. Activities will also include creation of conditions for social reintegration of the victims.

It is necessary to prepare a protocol on cooperation among governmental, non-governmental and international organizations related to cooperation and treatment in protection of victims of human trafficking.

Creation of conditions for social inclusion of former refugees and internally displaced persons, returnees upon the Agreement on Readmission, Roma people, victims of human trafficking and other vulnerable groups will contribute to more efficient realization of human rights, reduction of poverty and prevention of new poverty.

In July 2008 new Directorate for Gender Equality was founded within the Ministry of Labour and Social Policy as a constituent body of the Ministry. The Directorate carries out professional work and duties of state administration related to the analysis of situation and recommendation of measures in the field of gender equality improvement, thus giving more importance to the equal opportunity policy compared to the period before the foundation of the Directorate when a sector of Ministry has been responsible for these issues. Upon the proposal of the Directorate, the Government has adopted on 13 February 2009 a national Strategy for improvement of position of women and promotion of gender equality. This strategic document encompasses fields concerned with the equal participation of women in creating policies and decisions making, improvement of economic status of women, education and health, issues related to violence against women, as well as issues of public information media and public advertising.

Priority objective in this field is to pass the first systemic law on gender equality..

In the domain of protection of veterans, veterans and civilians with disabilities gained in war, as well as civilian victims of wars, it will be continued to build up the system of efficient protection of veterans and disability protection which means a comprehensive reform of the system targeted at elaboration of single legislative solution for the realization of rights and revision of all decisions on eligible rights brought so far in the procedure of transferring to a new law. This immense task aimed at modernization of the system encompasses full implementation of single information system of payment in the field of veterans' and disability protection.

Directorate for occupational safety and health carries out the following work: prepares regulations in the domain of occupational safety and health and opinions for their implementation, ensures the implementation of international standards in the field of occupational safety and health, conducts research and encourages developments in the field of humanisation of work, and encourages education and development of occupational safety and health culture, organizes expert examinations for performing the work in the field of occupational safety and health and issues licenses to legal entities and entrepreneurs for performing work in the field of occupational safety and health, issues licenses to legal entities and competent entities for checking and testing the equipment for work and testing of working environment conditions, education of employees, employers, labour inspection together with the organization of collection and analyses of data on injuries at work, professional diseases and work-related diseases, and develops and improves information and documentation activities in the field of occupational safety and health of employed population.

Priorities are related to completion of legislative framework by adoption of acts harmonized with the Directives of EU. Harmonisation of Directive 89/655/EEC on minimum safety and health requirements for the use of work equipment by employees at working place (Official Gazzete 23/09) and Directive 89/656/EEZ on minimum health and safety requirements for the use of personal protection equipment at work will be completed and national strategy for occupational safety and health(Official Gazzete 92/08), 89/654/EEZ on minimum safety and health requirements for employees at working place (Official Gazzete 21/09) 92/57/EEZ on minimum health and occupational safety requirements in temporary or movable construction sites (Official Gazzete 14/09) has been adopted in 2008 and 2009. Strategy on safety and occupational health in Republic of Serbia for the period of 2009-2012 has been adopted . (Official Gazzete 32/09). By adoption of the Law on Occupational Safety and Health (Official Gazette of the RS No.101/05), obligation of the employer to implement the procedure for risk assessment at work has been regulated for the first time with the aim to decrease the number of injuries at work, professional diseases and work-related diseases. Risk assessment at work and in working environment is an extremely important prevention measure and therefore it is necessary to develop further the system of risk assessment at work and in working environment.

The Law on Ministries, which entered into force on 15 May 2007, established Labour Inspectorate as a body within the Ministry of Labour and Social Policy. Labour Inspectorate has 28 separate divisions – sections located in Administration Districts and in the City of Belgrade (3 divisions), as well as two divisions located in the headquarters of the Labour Inspectorate.

Labour Inspectorate conducts inspection in the field of occupational safety and health and labour relations, and specifically application of the Law on Labour, Law on Occupational Safety and Health, Law on Prohibition of Smoking in Enclosed Places, Law on Private Entrepreneurs, Law on Companies – in a part related to occupational safety and health, Law on Strike, General Collective Agreement, collective agreements (sectoral and individual), general acts and employment contracts regulating rights, duties and responsibilities of the employees in organizations, legal entities and other organizational forms, as well as in institutions.

In addition to supervising the implementation of laws, Inspectorate also monitors the application of other regulations related to measures and standards in occupational safety and health, technical

measures related to occupational safety and health, standards and generally accepted measures in segments regulating the issues of occupational safety and health.

Strategic objectives for activities of the Labour Inspectorate are defined in accordance with the Strategy on Accession to EU and Strategy for Reduction of Poverty in Serbia:

- Decreasing the number of injuries at work, professional diseases and work-related diseases by minimising the risk related to work, in accordance with the law and practice;
- Suppressing unregistered work and reduction of the number of violations of labour legal postulates in the domain of labour relations stipulated by the law, Collective Agreement and employment contracts;
- Promoting national culture in the field of prevention of occupational safety and health and in the field of labour relations (raising awareness and public information) with special emphasis on small and medium scale enterprises' sector and high risk sectors (construction industry, chemical industry, agriculture, etc.);
- Defining priorities in solving problems related to occupational safety and health and labour relations for categories of especially vulnerable groups of workers – issues related to female workforce (motherhood protection, gender inequality, etc.) children labour, cottage manufacturing labour, family labour, foreign workforce, etc;
- Establishing and building of modern labour inspection system adjusted with EU standards through reform, reorganization and integration of the existing labour inspection.

In the period 2003-2005, Division for Labour Inspection realized a project “Developing Serbian Labour Inspectorate for the 21st Century” (implemented by ILO, donated by the Ministry of Labour, USA) which initiated the introduction of an integrated approach to the work of Labour Inspectorate. During the project implementation, fundamental principles of integrated and modern system of labour inspection in Serbia were laid down in accordance with ILO and EU standards and practices. Outcomes of the project are as follows:

- Labour Inspection National Policy (adopted in October 2005);
- Protocol on Cooperation with Labour Inspectorate of the Republic of Poland (signed in 2004);
- Manual for Training and Work of Labour Inspectors;
- Publications for employers and employees;
- Manuals for work of labour inspectors in control of small and medium enterprises engaged in different activities;
- Organization of four national high level tripartite conferences with participation of representatives of ILO, International Association of Labour Inspection, international experts in the field of safety and health at work, representatives of labour inspectorates in EU member countries and neighbouring countries, representative Trade Unions, Union of Employers, non-governmental organizations, etc;
- Organization of four modules for training of coordinators for training programmes for labour inspectorate divisions in District Administration and in the headquarters of the Ministry;
- Organization of a number of various training programmes for employers and representatives of Trade Unions;
- Organization of study tours to Poland, Netherlands and Bulgaria with the aim to get acquainted with methods of work of labour inspectorates in these countries.

During 2009, Labour Inspectorate is realizing the project “Modernization and integration of labour Inspection system in the Republic of Serbia in accordance with standards and practice of ILO and EU” which is financed by the Ministry of Foreign Affairs of the Kingdom of Norway. Overall objective of the project is to build modern labour inspection adapted to EU standards. Expected outcome of the Project is as follows:

- Elaboration of draft law on labour inspection which will materialize and standardize new organization of the reformed and integrated labour inspection;
- Elaboration of labour inspection policy;
- Elaboration of five-year plan of activities for labour inspection, annual schedule and action plan;
- Elaboration of manual for inspectors work with methods for labour inspection policy implementation and code of behaviour for labour inspectors;
- Organization of education and information campaign for the purpose of educating social partners and stakeholders (employers and trade unions);
- Organization of information campaign with the aim to improve observance of the law and informing public on the objectives and effects of the work of integrated labour inspection.

Programmes and projects realized under the auspices of the Ministry of Labour and Social Policy have tracked in the past period the course of reforms defined by the Government of the Republic of

Serbia within the scope of priorities listed here above. Projects are intended for strengthening of capacities of systems themselves, including institutional building of capacities of labour market and social welfare system.

With the aim to contribute to the realization of mentioned priorities and course of reform, the Ministry is proposing implementation of a number of programmes and projects (Table 29).

Table 29. Reform Projects of the Ministry of Labour and Social Policy (MLSP)

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Finance		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Finance	
1. Fund for Social Innovation	MINRSP	1,250,000 800,000 300,000	800,000	EAR 1,250,000 Progress European Commission	2007 Project will be implemented in 2008. Progress - Realization 18 months, and start up in February 2009
2. Support for the Implementation of Strategy for Development of Social Welfare	MINRSP	5,000,000		DFID and NMSP	2007 Project will be implemented in 2008. and 2009. Project completion is on 31/12/2009
3. Support to implementation of Anti-discrimination Legislation and Mediation in the RS	MINRSP	2 million		European Commission	during 2009 - 2010
4. Establishment and Application of License system for Social Security Services Providers in Serbia	MINRSP	500,000		NMSP	April 2009 Duration – one year
5. Increase in Competitiveness of Enterprises for Vocational Rehabilitation and Employment of Persons with Disabilities in Serbia	MINRSP	1,633,633	1,000,000 Ministry of Economy and Regional Development	633,633 Kingdom Of Norway	2007- 2008
6. Project of Pension Administration System Reform and Consolidation of Collection In Serbia	MINRSP, MFIN	21,000,000	200,000	20,800,000 World Bank	2006 Currently implemented
7. Elaboration of National Action Plan for Persons with Disabilities in the RS	MINRSP, Competent Ministries and Organizations of Persons with Disabilities	6,500			Currently implemented

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Finance		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Finance	
8. Strengthening of Capacities of Organizations of Persons with Disabilities and Raising Public Awareness as basis for Successful Implementation of the Convention on Rights of Persons with Disabilities	MINRSP	300,000,00		Proposed for IPA	2009-2010
9. Support to Institutions for Social Security in West Balkan Countries	MINRSP	2,200,000		CARDS	2005-2007 Currently implemented
10. Building and Equipping Small Dwellings for Accommodation of Elderly People (15-50 beneficiaries)	MINRSP	3,494,883	NIP		2007 Currently implemented, continuation proposed, NIP resources for 2009
11. Adaptation, Equipping and Rearrangement of Space for Changing its Use, buying of Equipment for 23 residential care institutions for Children and Youth without Parental Care and their Transformation into Services needed by Local Communities and Regions	MINRSP	2,930,000	NIP		Project redefined in 2008 and its continuation proposed through inclusion of institutions for accommodation of handicapped children
12. Construction or Purchase and Equipping of Flats – housing units for Supported Accommodation of Youth that Leaves the System of Social Security and Realization of Programmes for their Self-support in Places of their Origin	MINRSP	2,301,075	NIP		2007 Currently implemented, continuation proposed in 2009 , NIP resources

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Finance		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Finance	
13. Construction or Adaptation of Facilities, Provision of Equipment for Day Stays	MINRSP	1,198,236	NIP		2008 Currently implemented, proposed continuation in 2009, NIP resources
14. Improvement of Social Dialogue in Serbia	MINRSP	1,000,000		Proposed for IPA	2009-2010
15. Improved Social Inclusion into the Community through Institutions Providing Social Security Services	MINRSP	5,5 million		Proposed for IPA	2010-2011
16. Elaboration of National Strategy to Combat Violence	MINRSP	*			2009
17. Elaboration of Law on Social Security	MINRSP	*			2009
18. Social Support Housing and Day Centres for Persons with Disabilities	MINRSP	127,000,000	NIP		2008
19. Plan of Investments into Labour Inspection Sector	MINRSP	2,500,000	NIP		2006-2007
20. Education of Women for Equal Participation in the Labour Market	MINRSP	435.294	NIP		2008
21. Guarantee Fund for Women's Entrepreneurship Support	MINRSP	893,000		Proposed for IPA	
22. Information System Development (equipment and Programmes) for the needs of the Ministry for Labour and Social Policy	MINRSP	3,300,000	NIP		continuation 2008
23. Promotion of Decent Conditions for Work as Measure for Productivity and Competitiveness Improvement in Serbia		211.765	NIP		2009-2010

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Finance		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Finance	
24. Foundation of Centre for Support Provision to Persons with Physical Disabilities for their Independent Living	MINRSP	*			2008-2009
25. Training of representatives of Local self-governance for Provision of Free Legal Advising to Persons with Disabilities in the Procedure of Implementation and Promotion of the Law on Prevention of Discrimination of Persons with Disabilities	MINRSP	100,000		Proposed to UNDP	2008-2009
26. Evaluation of Financial Viability for Introducing Services of Personnel Assistants into Social Security Services System		*			2008
27. Elaboration of Feasibility Study for Introduction of Social (National) Pensions	MINRSP	80,000			2007
28. Pay System Reform in Public Services		1,300,000			2008-2009
29. Improvement of Records Keeping System in the field of Labour	MINRSP	*			2009-2010
30. Implementation of the Law on Prevention of Mobbing at Work	MINRSP	*			2009-2010
31. Harmonisation of the Labour Law with the EU regulations	MINRSP				2009-2010
32. Improvement of the Existing and Development of New Flexible Forms of Employment	MINRSP	*			2009-2010

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Finance		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Finance	
33. Establishing and Promoting Voluntary Work	MINRSP				2009-2010
34. Improvement of System of Protection of Citizens Working Abroad and Harmonization of Regulations in this Field with International Standards					2010
35. Monitoring and Undertaking Measures related to Labour Migrations	MINRSP				2009-2010
36. Establishing Population Policy in Local Community by: a) Organization of Regional Meetings (education of providers of activities in local community, exchange of experience, monitoring measures implementation) b) Financial support to local communities with insufficient economic power for development of services needed	MINRSP	140,000 15,000.000			2009-2010

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Finance		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Finance	
37. Social Integration of Vulnerable Groups - Support to Development of Social Housing in Protected Conditions by Exchange of experiences of Different Local Communities -Introduction of Roma Coordinators in 30 municipalities -Human Trafficking Victims – Organization of Regional Services Seminars and NGO Financial Support to Local Self-governance for Social Integration of Targeted Group	MINRSP	5,100 140,000 120,000 15,000,000			2009-2010 2009-2010 2009-2010 2009-2011
38. „Register of Injuries at Work and Professional Illnesses	MINRSP MZ	2,000,000		Proposed for IPA	2009-2010
39. Modernization and Integration of Labour Inspection System in the Republic of Serbia in accordance with International Labour Organization and European Union Standards and Practices	MINRSP	200,825	38,000	Ministry of Foreign Affairs of the Kingdom of Norway	2008-2009 (currently implemented)
40. Consistent Implementation of Regulations in the Field of Occupational Safety and Health in the Construction Sector and Building Materials Sector	MINRSP	500,000			2009
41. Suppressing Illegal Employment	MINRSP	500,000			2009

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Finance		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Finance	
42. Elaboration of Action Plan for Suppressing Illegal Employment	MINRSP				2009
43. Assessment of Health Status and Health Protection Needs of Veterans of Wars in '90s (with emphasis on their Mental Health)	MINRSP	30,000			2008- 2011
44. Application and Implementation of EU standards in the field of Occupational Safety and Health in the Republic of Serbia – Improvement of Occupational Safety and Health Situation in Textile Industry	MINRSP	650,000			2009-2010
45. Protection of Developmentally Disabled Children which have Residential Accommodation in Institutions of Social security in the Republic of Serbia	MINRSP	250,000			2008-2010
46. Elaboration of Study in the field of Protection of Developmentally Disabled Children which have Residential Accommodation in Institutions of Social Security in the Republic of Serbia	MINRSP	20,000			2009 6 months
47. Transformation of Children Institutions and Development of Viable Alternative Forms for Children in Public Care	MINRSP	1,221,000		UNICEF and EU	2008-2010

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Finance		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Finance	
48. Building of Employees' Capacities in 20 Institutions for Housing of Children and Adults with Developmental Disabilities	MINRSP	130,000			2009
49. Implementation of General Protocol on Child Protection from Violence and Neglect	MINRSP	*			2008 Comment Continuation of project realization from 2006. Projects for which resources <i>have not been provided</i> , although they are priority projects for the forthcoming period
50. Implementation of Special Protocol on Protection of Child from Violence and Neglect in Social Security Institutions	MINLSP	300,000			2008 Comment Continuation of project realization from 2006. Projects for which resources <i>have not been provided</i> , although they are priority projects for the forthcoming period

Project Title	Responsible Institution	Estimated Project Value (EUR)	Data on Sources of Finance		Planned Time for Start of Project Implementation
			Internal Resources	External Sources of Finance	
51. Improving Quality of Children and Family Protection: Protection of Children with Mental Health Problems , Prevention and Protection of Victims of Abuse, Neglect and Violence in Family, Support to Independent Living for Youth that are Leaving the Protection from Children's Homes and Family Foster Care; Establishing System of Institutional and Non-institutional Protection of Children under Legal Age with Criminal Offences Records; Improvement of Children's' Protection through Foster Care and Improvement of Application of Adoption as legal Instruments in Protection of Children without Parental Care	MINLSP	3,000,000			2008-2010 Comment: This big project would be realized until 2010. Approximate estimated Value of resources needed is given for 2 years of project implementation

3.5. Agriculture, Forestry and Water Management

Agriculture is basic activity of the greater part of population in Serbia. Less than one half of total number of inhabitants (44%) lives in the villages. Agriculture represents an important factor of the economy of Serbia, as much important as foreign trade (trade in agricultural products accounts for about 12% of the total foreign trade). These facts assign agriculture to a divide category within the economic, social and ecological system of the country. By tradition, agriculture represents an important sector of the economy, a basis for a large number of other activities more or less related to it. Moreover, agriculture is carrier of regional development of a country and driving force for big part of the economy in general in the initial phases of transition.

The share of agriculture in GDP is about 11% (about 18%, if food processing industry is included); it employees about 23% of total employed population, i.e. 17 % of economically active population, and it accounts for about 20% of total exports.

Serbia has great potentials in agricultural production thanks to its favourable climate conditions, good natural properties of the soil and available water resources. Nevertheless, these potentials have not been fully utilized.

In Serbia, agriculture is not viewed as ordinary sector of economy, both due to its specific production and tradition attached to it as well as for big expectations. In all municipal or regional development strategies it is recognized as one of the main strategic development routes and most of the population both in rural and urban areas view agriculture as the biggest chance for development of Serbia. Agriculture is an economic sector which could produce more wealth than it is currently producing, thus contributing to the country's development and it could play a role of buffer for facilitation of transitional process on a short run, but it could not continue to employ the same number of people it currently employees and at the same time be competitive in the surrounding which Serbia is seeking through integration processes. The past period was characterized by the conflict between the role of agriculture in economic development and its social component. Institutional and legislative reforms in agricultural sector have started together with changes in 2000 as a response of the Government of Serbia both to market developments and EU requirements, and as such these reforms represent very important part of the European integration process of Serbia.

A number of explicit characteristics and trends could be noticed:

Changes in ownership structure and land concentration: Although privatization of the entire sector has not been completed, since certain number of combines has not been privatized and most of "old cooperatives" have not solved their status yet, and they operate on the principles of social capital where the employees are managing the "cooperative" business, it could be said that this process is coming to its end. The Law on Agricultural Land solved the issue of privatization of state owned agricultural land in a way that it was decided to wait for land restitution and in the meantime to lease the agricultural land through a bid to the best bidder who now could also be the agricultural producer, as compared to the previous period when state owned land could have been managed only by an enterprise. In spite of the fact that implementation of the Law on Privatization and Law on Agricultural Land has allocated great part of the land and resources to producers who are capable of making bigger profits, changes and annexes to these laws are prepared and they will additionally regulate this field and eliminate all possible difficulties stemming from the implementation of basic laws.

Instability of agrarian policy: Agrarian policy in the eight past years was characterized by three phases. The first (2001 – 2003) was price support oriented for specific cultures (soybeans, sunflower, sugar beat, wheat) and included no other measures of agrarian policy. In the second one (2004-2006) the price subsidies were abolished and there was a transition to investments and rural development support, and the third one (2007-2008) which was characterized by system of payment per cultivated area and animal head and by ad hoc adoption of numerous non-market measures. Although the above mentioned indicates the inconsistency of agrarian policy and problems in long-term planning that resulted in drop in investments in the sector and non-market based distribution of profits between the participants in a trade chain, introduction of incentives will help to identify and eliminate the weak points of domestic agriculture with the aim to transform it into a modern sector successful on the market. In accordance with the afore mentioned, by the end of 2009, the Ministry of Agriculture will elaborate the Strategy of Rural Development, Strategy for Agricultural Development, as well as the Three-Year National Program for Agriculture which represents a document for agricultural policy implementation.

Slow pace of adaptation to food safety standards: The Law on Food Safety and a number of accompanying laws in this field are a precondition for establishment of institutions for their implementation, as well as for reform of this sector. The fact that the laws have not been adopted represents even today one of significant problems for integration in EU and WTO, and it could slow down these processes to a great extend. Nevertheless, steps ahead in this sector are expected, bearing in mind that the Ministry has prepared new Law on Food Safety and a serial of accompanying acts for the regulation of this sector and that all the laws are currently included in the Parliamentary proceedings.

Slow development of support institutions and legislative framework: Non-reformed Directorate for Commodity Reserves, extension service and organizations for water management which still operate as social enterprises, non existence of national laboratory, and non-reformed R&D institutions as support to agriculture, are only some of unfinished work needed to be performed for the establishment of institutional framework for development of agriculture. Besides, there still has not been explicit readiness within cooperatives, chambers of commerce and professional organizations for internal reform that would enable these institutions to take the lead of development. On the other hand there were several important institutions established in this period, such as: Directorates for veterinary, plants protection, water and forests, General Inspectorate, Register of Agricultural Holdings and Secretariat for Agriculture of the Province of Vojvodina.

Intensive activities for the purpose of establishing the Directorate for Land and Directorate for Payments in Agriculture, as central institutions in the country responsible for the implementation of the state policy to encourage agricultural production, are currently carried out. This practically means that all payments to end users (i.e. agricultural producers) by the Ministry of Agriculture will be realized through the Directorate for Payments in Agriculture, instead of being realized through the Treasury Administration of the Ministry of Finance which has been the case until now, and thus considerably improve the possibility to control the flow of money and services provision. Founding of the Directorate for Payments in Agriculture and its further accreditation represent a precondition for access to European Union Funds allocated for rural development and agriculture (V component of IPA). In addition, several laws were adopted: The Law on Agricultural Land, Law on Forests, and Law on Plant Protection.

Development of loans market and land market has started: Without well developed loan and land market one could not imagine a successfully managed agriculture. Reform of banking sector, establishing of agricultural producers register including producers' obligatory bank account, measures of the Ministry for encouraging the loan market development, etc. have contributed to a reduction of specific risks related to crediting of agricultural producers, and the banks are increasingly finding their market among agricultural producers, which opens the possibility for land market development, both in terms of lease and sale.

Decreased share of agriculture in GDP: Continual trend of decreasing share of agriculture in GDP is not conditioned by the growth in value of agricultural production (VAP), but by the development of other sectors. Thus in 2001 total VAP amounted 135, 08 billion dinars (in permanent prices in 2002) which accounted to 15.7% of agriculture's share in GDP, and in 2006 it amounted 137, 8 billion which accounted to 10.7% of GDP.

Significant increase of the exports value: Opening of EU market for agricultural and food products from Serbia (Autonomous Trade Preferences from 2000), but also the entire network of bilateral trade agreements with countries in the region (today CEFTA), create conditions for transforming Serbia into a net exporter of food. In 2005 it became the net exporter for the first time with the surplus of about 255 million \$. High domestic protection, establishment of trade relations that have been broken, export subsidiaries and numerous comparative advantages result in further growth of foreign trade surpluses in this field which in 2007 exceeded 600 million \$.

Gradual opening of market: In addition to liberalization from 2001, Serbian agriculture still has the biggest protection in the region (average TE%=21%). Negotiations within WTO and SAA will bring to a decrease in the level of protection in phases (SAA - within 6 years up to the level of 3.1% of the average TE %). However, high protection, which has been on force for almost a decade has influenced the objectivity and reduced the possibility to become fully aware of the levels of domestic products competitiveness.

Modern market chains operating legally are not built: There are two main challenges for the establishment of trade chains. The first one relates to the question of how to include small producers into a modern trade chain, since mostly they are not competitive, they work through non-formal canals and their expenses for standards establishment are big. The second one is related to the question of increasing the competitiveness at the level of processing capacities that will make the consumption increase by finding the new markets. Big competition at the level of primary production is obvious, and the small one at the level of processing which is primarily conditioned by unattractive areas for investments as a result of unfulfilment of the EU export standards for a large group of products, unpredictable policy of support provision, lack of institutions building, lack of knowledge on real competitiveness due to a high tariff protection, and other.

On the other hand, there are numerous trends currently taking place, as well as those that will take place at the level of agricultural producers or inhabitants of rural areas. Some of basic trends that could be observed are as follows:

- **Decreasing number of agricultural producers** which conditioned not only by their moving to other sectors and the fact that young people are not accepting to continue the work of their parents, but also by the fact that it is impossible to be competitive with the existing level and type of production. This gives the effect of increased number of old people households in rural areas.

- Due to the development of technologies in food production, the need for labour in agriculture is decreasing and **diversification of activities in agricultural household** is increasing by the inclusion of tourism, different trades and services.
- **Increasing migration** to cities in search for work as a consequence of the fact that: a) more progressive parts of rural community are leaving the village areas seeking for better social and economic conditions in the cities, b) poorer population is forced to seek the work outside agriculture due to the increasing pressure caused by low incomes in small agricultural household.
- **Increasing urbanization of rural areas** and increasing demand for employment in services in rural areas, which requires that people living in rural areas have some specific knowledge.
- **Reduction of agricultural land** for the purpose of building industrial and services parks.
- Agricultural holding that has changed its role, since it is not the only producer of food any more; however, food production requires broader knowledge and skills related to economy, marketing, management in agriculture, but also the need for higher level of education of rural population which will be progressively finding jobs in services.

Ministry of Agriculture, Forestry and Water Management of the Republic of Serbia is competent institution engaged in creation and definition of agricultural policy. Internal organization of the Ministry includes: Sector for Analysis and Agrarian Policy; Sector for Rural Development and Agriculture; Sector for Agrarian Operations; General Inspectorate and Sector for Legal and Administrative Work, as well as administrative bodies within the Ministry: Veterinary Directorate, Plant Protection Directorate, Forests Directorate and Republican Directorate for Waters.

The existing strategic document which defines the policy and development of agricultural sector in the Republic of Serbia is the Strategy for Development of Agriculture of the Republic of Serbia („Official Gazette of the RS”, No. 78/05).

Current Strategy for Development of Agriculture has made a turning point in agrarian policy in terms of strategic objectives and implementation mechanisms. Reformed agrarian policy is directed towards the growth of competitiveness of family and commercial households. Implementation mechanisms have been transformed from incentives for income to incentives for investments. Main directions of agrarian policy are as follows:

- Changes in the structure (producers, owners and institutions);
- Market and market mechanisms development;
- Rural development and protection of environment.

In accordance with the aforementioned directions for development of agricultural sector, mid-term priorities in agriculture, forestry and water management sectors were defined:

- Additional strengthening of administrative capacities for drawing up policy and its implementation; create and initiate implementation of rural development policy,
- Continue to develop veterinary, sanitary, phyto-sanitary legislation and control in the field of food safety, as well as laboratory for control of wines;
- Promotion of wastes management and reduction of contamination in the field of agriculture;
- Strengthening of agricultural and food market system, including quality control and hazard analysis of critical points [(hazard analysis critical control point (HACCP))],
- Reduce disturbances in the agricultural market caused by policy changes and carry out reform of the Directorate for Reserves;
- Extend identification and registration of live animals;
- Strengthen the functioning of land market, initiate land reform, restructuring and privatization of big farms;
- Create conditions for satisfying the needs of agricultural producers for short-term, mid-term and long-term loans;
- Continue to adjust the reforms with WTO rules and obligations in order to accelerate accession to WTO;
- Foundation of modern and efficient institutions that develop, implement and supervise efficient policy and negotiate successfully with EU and other trade partners;
- Building of institutions which can implement efficiently water management policy with the aim to manage the water resources efficiently and which can be self-financed and which will satisfy the needs of their users, both in rural and urban areas;
- Building of systems for collection, transportation and purification of waste waters in settlements, especially in risk zones;
- Provide for efficient flood control by reconstruction of the existing and building of facilities that are in deficiency for the purpose of protection from damaging water effects;
- Improved state of the resources and development of forestry sector;

- Promote procedures for recognition and protection of varieties of agricultural plants in accordance with procedures in European Union member countries (provision of appropriate equipment and education of employees).

In the past seven years, the international support to the sector of agriculture, forestry and water management was mostly of technical nature and intended to strengthen the institutional capacities of the sector and elaborate programmes and plans for future development, and one part of international resources was invested in the reconstruction of laboratories and irrigation and drainage systems. Review of internationally financed projects implemented within the Ministry of Agriculture, Forestry and Water Management is as follows:

Table 30. Most important projects in the field of agriculture, forestry and water management in the period 2000 - 2008:

Programme/Project Title	Source of Financing	Realization Period
1. Technical Assistance Project- Policy advisory unit	EAR	2001-2003
2. Reform of Laboratory for Food Safety Chain Control	EAR	2002-2004
3. Registration of Cattle in Accordance with EU System	EAR	2003-2006
4. Support to Information System Establishment in Agricultural Market	USDA	2004
5. Analysis of Consumer Goods Consumption	USDA	2004
6. Institution Building within Ministry of Agriculture, Forestry and Water Management	EAR	2004-2005
7. Reform of Veterinary, Phyto-Sanitary and Sanitary Inspection	EAR	2004-2007
8. Institutional Capacity Building in the Directorate for Plant Protection of the MAFW	EAR	2008 -
9. Rural Development Policy and Payment System	EAR	2006-2008
10. Transition Reform of Serbian Agriculture (STAR)	World Bank	2008-2011
10a. Preparatory Phase for STAR: in situ Agro Biodiversity Conservation Project	GEF-PDFB	2006
10b. Preparatory Phase for STAR: Rural Business Environment Development Project	PHRD	2006
11. Development of Forestry Sector in Serbia	FAO/Finland	2005-2008
12. South East Europe Network for Plant Genetic Resources Development	Sweden	2004- 2014
13. Serbian Forestry Sector Programme	Austria	January –December 2004
14. Support for Restructuring of PE Srbijasume	Norway	2004-2006

Programme/Project Title	Source of Financing	Realization Period
15. Danube River Pollution Reduction	World Bank	2006-2010
16. Irrigation and Drainage System Rehabilitation	World Bank	2006-2011
17. Institution Capacity Building within the Directorate for Veterinary	EAR	2006-2009
18. Capacity Building for Vine Sector Regulation in the Republic of Serbia	EAR	2006-2008
19. Water Economy Information System	EAR	2007-2009
20. EU Info Centre for Serbian Agriculture Project	Slovakia	2005-2007
21. Strengthening of Capacities of the Republican Directorate for Water Management	EAR	2006-2009
22. Support to Elaboration of the Draft Strategy for Land Development (land consolidation) with Pilot Project	FAO	2006-2007
23. Watershed Management Plan – Pilot Project for the Kolubara River Basin	Sweden	2006 -
24. Elaboration of Strategic Development Plan for Sewage Network and Waste Water Treatment in the South Morava River Basin and Preparation For Tender Documentation for Construction	EAR	2007 -2009
25. Strengthening Administrative Capacities of Food Chain Laboratories	EAR	2006-2009
26. Development of National Framework for Biosafety in Serbia	UNEP/GEF	2005 – 2008
27. Capacity Building for Successful Access to Mechanism for Facilitated Information Sharing in Order to Implement Successfully Provisions of Cartagena Protocol on Biosafety and Sharing of Information on and Experiences Related to Living Modified Organisms	UNEP/GEF	2008 - 2011
28. Strengthening of Capacities for Research in Economics within the Ministry of Agriculture, Forestry and Water Management	USDA	2008
29. Capacity Building for LEADER Activities in the Republic of Serbia	Government of Romania/UNDP	2008-2009
30. Assistance to Agricultural Sector of the Republic of Serbia for the Revitalization of Domestic Fertilizers Production	Government of Japan	2008
31. Support to Agricultural and Environmental Policy	Government of the Netherlands	2008-2010
32. Elaboration of Strategic Plan for Sewage Network Development and Waste Water Treatment in the South Morava River Basin and Preparation of Tender Documentation for Construction of Pilot Plant for Waste Water Treatment	EU project	2007-2009
33. Building Capacities for the Republican Directorate for Water Management	EU project	2008-2010
34. Elaboration of First Version of Hazards Management Plan for Floods Control in the Tamnava River Basin	SIDA 2008-2009	
35. Elaboration of Feasibility Study for Waste Water Treatment Plant in the Municipalities of Uzice and Vranje	EU project	

Programme/Project Title	Source of Financing	Realization Period
36. South East Europe Development Network for Plant's Genetic Resources (SEEDNet)	SIDA	
37. Technical Support to Animal Marking and Registration System in the Republic of Serbia	EU project	2008-2010
38. Development and Implementation of National Action Plan for Improved Forests Management and Control of Illicit Forests Cutting in South East European and Central Asia Countries	World Bank	2008 -2010
39. Private and Local Community Forests –Development of Living Welfare on the Basis of Ownership Rights in Selected Countries of South East Europe	CEPF/FAO/PROFOR	2008-2009
40. Building and Reconstruction of Border Crossing Points Presevo and Batrovci	EU project	2008-2009
41. Building and Reconstruction of Border Crossing Points Bezdan, Vatin and Veliko Gradiste	EU project	2008-2009

Projects from National Investment Plan:

1. Construction of district road Desinje - Majilovac
2. Construction of connected water pipeline Beska-Cortanovci
3. Improved water control in the Jadar river basin
4. Foundation and networking of local development institutions in the East Serbia
5. Reduction of losses in drinking water

In addition, Ministry of Agriculture, Forestry and Water management has defined the activities and support measures to be taken, and targeted clear and realistic objectives to be realized in the period 2009 – 2011:

1. Building of sustainable and efficient agricultural sector that can compete in the world market, thus contributing to the national income growth;
2. Ensure food that satisfies consumer needs in terms of quality and safety;
3. Ensure support to living standard of people that are depending on agriculture and that are not capable to follow the economic reforms in their development;
4. Ensure support to sustainable rural development;
5. Preserve environment from negative effects of agricultural production;
6. Prepare Serbian agriculture for accession to EU;
7. Prepare policy for domestic support and trade in agriculture in accordance with WTO rules.

These measures and objectives, as well as the modes for their implementation will be elaborated in details within the National Plan for Agriculture for the period 2009 – 2011 that is , in accordance with the Law on Agriculture⁴⁴, proposed for adoption in 2008, represents a document for agricultural policy implementation.

In order to increase competitiveness and efficiency in agriculture institutional **capacity building** will be continued for the purpose of its adaptation to market economy conditions and conditions in the EU. Measures that should encourage the creation of required commercial holdings structure will be taken, which means enlargement of holdings and provision of support to young producers, as well as to their associating. Crediting of **primary production development** and placement of surpluses of the registered agricultural holdings will be continued. It will be provided for the solutions in the law on denationalization do not endanger the functioning and development of private enterprises in the field of agriculture.⁴³

New Law on Cooperatives will be adopted, as well as the new strategy on cooperatives development, in accordance with EU standards, with the aim to reform the cooperatives sector and solve the problem of ownership of cooperatives' property.

Basis for **rural development policy** will be defined together with previous defining of rural areas and criteria for caring out the categorization according to EU model on less favourable areas for production. Strategy for agricultural and rural development will be adopted, as well as national

⁴⁴ National programme defines short-term and medium-term objectives of agricultural policy, modes, sequence and deadlines for the realization of these objectives, expected results, as well as forms, types, purpose and scope of different state incentives (Article 10 of the Law on Agriculture).

programme of rural development for the period 2009-2013, law on agriculture and rural development and on the basis of that law, an integrated system for agrarian payments will be established. Besides all these, the law on agricultural advisory (extension) services will also be adopted.

Development of **forestry** sector will be based on the principles of sustainable management of forestry resources and integrated area management, in accordance with the *Strategy for Forestry Development of the Republic of Serbia*. Policy objectives in the field of forestry include provision of economic, ecological and social functioning of forests, increased contribution of forestry to economic development in general, adequate protection and preservation of forests, improvement of their state, planting of new forests and development of forestry as an economic branch. For the purpose of these objectives attainment, there will be an appropriate institutional and financial frameworks and mechanisms established. Economic and other measures will provide for an equal treatment of all kinds of ownership in forestry in terms of their legal protection, financial support and adequate organization. Law on forests and national action plan will be adopted, and on its basis, programmes for forestry sector

development in the Republic (programme to determine the state of private forests and development of forestry in rural areas, programme for multidisciplinary research and personnel training for the implementation of regulations, as well as programme for introduction of the best technology for multipurpose use of forestry and hunting).

Law on game and hunting will be adopted and it will define institutional framework for development of hunting and establish clear relations between the owner and user of this natural resource. All entities in hunting sector (public enterprises, associations of hunters, other enterprises and legal entities) will have the equal rights and responsibilities in game managements. Special attention shall be attached to the development of hunting tourism, in accordance with the *Strategy for Serbian Tourism Development*, and in cooperation with relevant ministry.

In order to make the water resources management more efficient, following the adoption of national strategy for **water economy development** and new law on waters, other acts seaming from the law and regulations pertaining to water economy will be adopted, in accordance with EU general directive on waters and other directives and EU standards in the field of waters. Priority projects of importance for the country will be defined and responsible entities, sources of finance, models of financing and timing for their realization will be defined.

During 2009 water economy information system will be established. Public enterprises in water economy will be restructured and new bodies with advisory function with the inclusion of public in the activities for water management will be set up. Investments into community infrastructure for water supply will be provided, including regional systems as well, and thus the percentage of population supplied with controlled water will be increased. Investments into the reconstruction of existing and contraction of new capacities in the system for collection, drainage and purification of waste waters will be increased. It will be provided for the revitalization of the existing and construction of new facilities and systems for water supply and water protection, as well as for construction, reconstruction and consolidation of hydro melioration facilities. Construction of flood protection facilities will increase the degree of protection of cities and settlements located nearby big water systems.

Ministry of Agriculture, Forestry and Water Management has defined concrete projects that have to be realized in this field within the three coming years (tables are following).

Table 31. Priority Investment Projects in the Field of Agriculture, Forestry and Water Management in he Period 2009 - 2011

Project Title	Responsible Institution	Estimated Project Value (in EUR)	Data on Sources of Finance		Planned Time for Project Realization
			Internal Resources	External Sources of Finance	
1. Equipment for laboratories for plum brandy and ethyl/alcohol testing in accordance with EU standards EY	General Inspectorate	1,500,000	200,000	1300,000	2009

Project Title	Responsible Institution	Estimated Project Value (in EUR)	Data on Sources of Finance		Planned Time for Project Realization
			Internal Resources	External Sources of Finance	
2. Improvement of agricultural mechanization (mechanization with small working width for field trials) and equipment for improved procedure for varieties of agricultural plants recognition and protection	Plants Protection Directorate	1,150, 000			2009
3. Equipment and establishment of laboratories network for detection, identification and quantification of genetic modifications, as well as training of human resources (genes isolation, sequencing, etc)	Sector for Agrarian Policy	2,000,000			2009
4. Construction of green houses and production vegetables and flowers seedlings in green houses for CEFTA market	Sector for Agrarian Policy/ Department for Field Crops and Vegetables of the Faculty of Agriculture, Novi Sad	1,500,000			2009
5. Equipment for the laboratories for wines testing in accordance with the EU standards and improvement of wines quality self-control in the associations of producers	Sector for Agrarian Policy	2,500,000	200,000	2,300,000	2009
6. Optimization of the system of control, classification, valuation and sorting of bulk grains for sale in order to optimize their utilization for food production, export and energy production	Sector for Agrarian Policy	10,000,000		10,000,000	2009
7. Establishing a Register of economic entities in the field of agriculture and food industry for the purpose of elaborating economic analysis needed for agrarian policy governance	Sector for Agrarian Policy	5,000,000		5,000,000	2009
8. Extension of capacities and equipping of regional laboratory for quality control of tobacco and tobacco	Sector for Agrarian Policy	3,000,000		3,000,000	2009
9. Information system for the Morava river basin	Water Directorate	4,000,000			2009

Project Title	Responsible Institution	Estimated Project Value (in EUR)	Data on Sources of Finance		Planned Time for Project Realization
			Internal Resources	External Sources of Finance	
10. Construction of facilities for water economy and implementation of the programme for water protection and protection against harmful effects of water	Water Directorate	29,300,000	29,300,000 (NIP)		2009
11. Financing the construction of facilities in water economy for water supply and collection, transportation and purification of waste waters	Water Directorate for	20,000,000	20,000,000		Annual programme of works
12. Financing of construction of facilities in water economy for protection of harmful effects of water	Water Directorate	10,000,000	10,000,000		Annual programme of works
13. Construction of dam „Svrackovo” within PBC „Rzav” Phase 1	Water Directorate	20,000,000	5,000,000		2009
14. Provision of software for connecting the data base of registered holdings with veterinary data basis, as well as formation of data basis in other sectors for more efficient creation of agrarian policy	Sector for Agrarian Policy	1,500,000			
15. Planting of new plots of berry fruits for intensive production with modern technology application (irrigation system, hail protection net, appropriate assortment, certified seedlings...)	Sector for Agrarian Policy	5,000,000			2009
16. Foundation of planting stock of fruits with certified seedling material	Sector for Agrarian Policy	2,000,000			2009
17. Establishing central level infrastructural and IT capacities and regional offices of veterinary inspection	Veterinary Directorate	6,000,000			2 years
18. Improvement of animal marking and registration system and consolidation of central data base	MPSV – Veterinary Directorate	500,000			2010

Project Title	Responsible Institution	Estimated Project Value (in EUR)	Data on Sources of Finance		Planned Time for Project Realization
			Internal Resources	External Sources of Finance	
19. Establishing and equipping referential phyto-sanitary, seeds and residues laboratory in Batajnica complex	Plants Protection Directorate	4,500,000			
20. Establishing of National referential phyto-sanitary laboratory	Plants Protection Directorate	10,000,000			

Table 32. Priority Reform Projects of the Ministry of Agriculture, Forestry and Water Management in the period 2009-2011

Project Title	Responsible Institution	Estimated Project Value (in EUR)	Data on Sources of Finance		Planned Time for Project Realization
			Internal Resources	External Sources of Finance	
1. Development of production and sale of mushrooms (edible, for industrial processing and with pharmaceutical properties).	Sector for Agrarian Policy/Faculty of Agriculture Zemun	700,000			2009
2. Establishment of valuation and classification system for meat content of pork carcasses in slathering line	Sector for Agrarian Policy	2,000,000			
3. Introduction of breeding methods in animal husbandry in accordance with EU standards	Sector for Agrarian Policy	1,000,000			
4. Improved development of rural areas through vitalization of viticulture and wine production	Sector for Agrarian Policy	5,900,000	900,000	5,000,000	2009
5. Breeding of local and indigenous varieties of vine and certification of seedling material in accordance with EU standards	Sector for Agrarian Policy	1,900,000	200,000	1,700,000	2009

Project Title	Responsible Institution	Estimated Project Value (in EUR)	Data on Sources of Finance		Planned Time for Project Realization
			Internal Resources	External Sources of Finance	
6. Osmotic process in technological procedures for fruits and vegetables processing – pilot project	Sector for Agrarian Policy / Institute for Food Processing Technology and Biochemistry, Faculty of Agriculture Zemun	700,000			
7. Improved procedures for plums drying and re-hydration of prunes	Sector for Agrarian Policy / Institute for Food Processing Technology and Biochemistry, Faculty of Agriculture Zemun	200,000			
8. Possibilities for membrane separation processes in terms of fruit and vegetable juices quality	Sector for Agrarian Policy / Institute for Food Processing Technology and Biochemistry, Faculty of Agriculture Zemun	200,000			
9. Purchase, warehousing, keeping and distribution of fresh fruits and vegetables (formation of distribution centres)	Sector for Agrarian Policy	2,000,000			
10. Breeding of local and indigenous varieties of fruits	Sector for Agrarian Policy	1,000,000			
11. Establishing fruits register and cadastre	Sector for Agrarian Policy	1,000,000			
12. Establishing industrial register – register of fruit and vegetables processors and beverages producers	Sector for Agrarian Policy	1,500,000			
13. Development of centre for quality control of food products of vegetable origin	Sector for Agrarian Policy / Institute for Food Processing Technology and Biochemistry, Faculty of Agriculture Zemun	5,000,000			
14. Foundation of Balkan education centre for vegetables production and quality	Sector for Agrarian Policy / Department for Field Crops and Vegetables, Faculty of Agriculture Zemun	1,000,000			
15. Support to the development of public services for forestry	Administration for Forestry	2,200,000			

Project Title	Responsible Institution	Estimated Project Value (in EUR)	Data on Sources of Finance		Planned Time for Project Realization
			Internal Resources	External Sources of Finance	
16. Strengthening social capital in rural areas through intensified cooperation of newly established agricultural cooperatives and associations with a rural development network	Sector for Rural Development	1,460,000			
17. Determination of criteria for production management and health control and reproduction in cattle breeding	Administration for Veterinary	1,066,403			
18. Establishing system for project programming in MPSV	Sector for Agrarian Operations and Financial Management	150,000			
19. Regionalization of fruits growing in Serbia	Sector for Agrarian Policy	500,000			
20. Elaboration of the register of fruit producers and register of fruit brandies and other alcoholic drinks	Sector for Agrarian Policy	500,000			
21. Strengthening of capacities of Land Administration and establishing information system in accordance with EU standards	Sector for Agrarian Policy	314,000			
22. Support to building of compensation fund in accordance with the Law on Public Warehouses	Sector for Agrarian Policy	2,000,000			
23. Building of capacities of laboratories for milk testing and establishing system for fresh milk quality control in Serbia	Sector for Agrarian Policy	100,000			

Project Title	Responsible Institution	Estimated Project Value (in EUR)	Data on Sources of Finance		Planned Time for Project Realization
			Internal Resources	External Sources of Finance	
24. Plan for joint management in the state of emergency in the Sava river basin	Water Directorate	3,000,000			
25. Training of personnel employed in Department for Registration and protection of agricultural plant varieties for procedures, program employment, experiences of other countries in the field of varieties recognition and protection of agricultural plants	Plants Protection Directorate	1,200,000			
26. Technical equipping of laboratories for phyto-sanitary control (seeds, seedling material...) quarantine harmful organisms in plants seeds, seedling material...)	Plants Protection Directorate	4,000,000			
27. Building of administrative and technical capacities in the field of production, certification and control of seedling material	Plants Protection Directorate	3,000,000			
28. Technical equipping, establishing and development of phyto-sanitary information system, training of personnel for entrance into and keeping of the register for seeds and seedling material (pilot project)	Plants Protection Directorate	4,000,000			

Project Title	Responsible Institution	Estimated Project Value (in EUR)	Data on Sources of Finance		Planned Time for Project Realization
			Internal Resources	External Sources of Finance	
29. Strengthening of special monitoring system for specified harmful organisms in accordance with the Directives for control	Plants Protection Directorate	500,000			
30. Creation of system for forecasting plants diseases and pests (pilot project)	Plants Protection Directorate	5,000,000			
31. Accreditation of regional laboratories	Plants Protection Directorate	1,000,000			
32. Foundation of certifying body and accredited laboratories licensing	Plants Protection Directorate	1,000,000			
33. Elaboration of simulation (Emergency plan) -pilot project	Plants Protection Directorate	1,000,000			
34. Establishment of control system in food safety for animals, harmonized with EU, and within the Ministry of Agriculture, Forestry and Water Management	Veterinary Directorate	505,588		505,588	
35. Risk analysis for import of animals (qualitative and quantitative), products of animal origin and animal feed	Veterinary Directorate	500,000			2008
36. Improved work of laboratories for introduction of biosafety measures	Veterinary Directorate	500,000			2008
37. Harmonization of national legislation with EU in the field of food of animal origin and implementation of new law provisions	Veterinary Directorate	2,000,000			2 years

Project Title	Responsible Institution	Estimated Project Value (in EUR)	Data on Sources of Finance		Planned Time for Project Realization
			Internal Resources	External Sources of Finance	
38. Users support for animal marking and registration system for end users at regional level	Veterinary Directorate	18,000 for 2008.			2008
39. Improvement of information and area system	Veterinary Directorate	500,000			As soon as possible 2007
40. Harmonization and determination of conditions for import of animals, products and food of animal origin and animal feed in accordance with the EU standards and WTO, as well as establishing of TRACES and RASFF systems	Veterinary Directorate	2,000,000			for TRACES system end of 2009
41. Strengthening capacities for prevention and control of blue tongue disease	Veterinary Directorate	500,000 EUR			2 years
42. Strengthening capacities for prevention and control of cattle tuberculoses and establishing status for holdings free from cattle tuberculosis	Veterinary Directorate	2,000,000.			3 years
43. Strategic master plan for sewage and waste waters network for the West Morava Basin	Water Directorate	3,000,000		IPA 2007	2009
44. Study of flood zones in Serbia – phase I	Water Directorate	2,000,000		IPA 2007	2009

Project Title	Responsible Institution	Estimated Project Value (in EUR)	Data on Sources of Finance		Planned Time for Project Realization
			Internal Resources	External Sources of Finance	
45. Adjusting national legislation to EU legislation for sale and control of plant protection products and implementation of new legislation directives	Plant Protection Directorate	1,500,000		Twining IPA 2008	2010
46. Technical assistance for development of water approximation strategy development	Water Directorate	2,000,000		IPA 2008	2010
47. Support for the process of control and eradication of swine plague and rabies (madness)	Veterinary Directorate	8,200,000	2,000,000	IPA 2008 (6,200,000)	2010
48. Increasing the quality of wine and promotion of wines with geographic origin	Sector for Agrarian Policy	1,500,000		IPA 2008	2010
49. Building of capacities for implementing the policy of rural development in accordance with EU standards – phase II	Sector for Rural Development	2,800,000		IPA 2009	2011
50. Founding of Farm Accountancy Data Network (FADN)	Sector for Agrarian Policy	3,000,000		IPA 2010	2012

3.6. Mining and Energy

The existing state in the energy sector is characterized by: non-economic prices of electricity; dissatisfying status of energy facilities as a consequence of insufficient investment in the previous period for completing full overhauls and investment maintenance, as well as non-harmonized price policy in the energy sector, from the standpoint of rational use of energy sources, increase of energy efficiency, both in production and distribution, as well as with end users; the need to revitalize the existing energy facilities and to invest into manufacturing, transport and distributive capacities. Strategic and legal development framework has been set; process of creating regional market for electricity and gas has begun by Athens Process and signing of the Treaty Establishing Energy Community; restructuring of public companies has started; establishment of deregulated market and market institutions has begun, regulatory body for energy sector has been established (Energy Agency of the Republic of Serbia), etc.

Liberalization of electricity and gas markets in the Republic of Serbia is one of the necessary and key factors for stimulating and accelerating economic development, but also one of the most important tasks imposed upon electricity, gas and oil sector and on the state in the process of EU harmonization and accession. Also, the Republic of Serbia has first as a signatory of so-called Athens Memoranda of Understanding (2002 and 2003), and then by Treaty Establishing Energy Community (2005), been included from the very beginning into electricity and gas regional initiatives and actively participates in the process of creating regional electricity and natural gas market on the SEE level, as well as regarding its integration into internal European Community energy market.

The basic goal of energy system reform is rational use of energy and energy sources, as well as increasing energy efficiency in production, transmission, distribution and consumption of energy, establishing qualitative new conditions for operations and development of energy production sectors and energy consumption sectors, that would stimulate the economic development of the Republic of Serbia, environmental protection and integration of domestic energy sector into regional and European energy market.

The key document for implementing reforms in the energy sector is the Energy Law, defining basic goals of energy policy implemented by implementation of the Energy Sector Development Strategy, Program for Implementing Energy Sector Development Strategy of the Republic of Serbia until 2015 for the period 2007-2012, and energy balance. The Program for achieving Energy Sector Development Strategy of the Republic of Serbia until 2015 for the period 2007-2012, adopted by the Government of the Republic of Serbia in January 2007, determines conditions, methods and dynamics of implementing Energy Sector Development Strategy for all energy sectors.

The basic directions of energy sector development in the Republic of Serbia are:

- 1) Safe, qualitative and reliable supply of consumers with energy, with decreased import of energy sources,
- 2) Restructuring of energy system, increasing energy efficiency with increased use of energy efficient and ecologically acceptable technologies and renewable sources of energy,
- 3) Harmonized development of energy activities in order to secure necessary quantities of energy and energy sources for satisfying the needs of energy and energy sources' buyers.

Energy Sector Development Strategy of the Republic of Serbia until 2015 has been adopted in the National Assembly in May 2005, and it has defined priorities the implementation of which shall achieve these goals. Amongst those goals are implementation of program for technological modernization of production systems, rational use of energy sources both in energy production and energy consumption sectors and investments into construction of new energy plants (with energy efficient and ecologically acceptable technologies, as well as those using renewable energy sources). One of the necessary and key factors for stimulating and acceleration of economic development of the Republic of Serbia is liberalization of electricity market in the Republic of Serbia, but that is simultaneously one of the most important tasks appearing in front of the electricity sector and the state in the process of harmonization and EU accession.

By passing of the Energy Law, necessary harmonization has been performed of our legislation in the field of energy with European Union energy sector regulations. Harmonization of domestic regulations regulating legal relations in the energy sector with European Union regulations, and also with enactments pertaining to regional market has been done in order to secure necessary conditions for linking energy subjects in the region, their equal position in the energy market, almost the same level of protection of energy buyers and other conditions securing gradual opening of energy market. Preparations for amendments of Energy Law are under way, by which it is necessary to achieve additional adjustment to conditions from the Treaty Establishing Energy Community, that is Energy Community process,

elimination of problems recognized so far in implementing the valid Energy Law and creation of legal and institutional framework for further enhancing energy efficiency and increase of use of renewable sources of energy.

The Energy Law has also created institutional framework for the field of energy and Energy Agency has been established, independent regulatory body, under which authority are jobs of passing tariff systems for calculation of electricity and natural gas for tariff buyers, as well as tariff systems for access and use of systems for transport that is, distribution of energy and facilities for storing natural gas; determining methodology for determining tariff elements for calculation of prices of electricity and natural gas; determining criteria and costs of connecting to the system for energy transport and distribution; issuing licenses for performing energy activities. It is necessary to strengthen functions of the Energy Agency, bearing in mind that the tariff systems and methodology together with the Rule Book on Market Operations and networks represent the basis for essential reform in the energy sector which relates to electricity and natural gas..

Within energy system reform, restructuring of public companies is implemented and improvement of their efficiency. Within the activities of rationalization and restructuring of Elektroprivreda Srbije (Electricity Sector of Serbia), in 2003 underground coal exploitation has been set aside, until 2005 all non-electricity sector, accessory activities have been set aside and PUC EPS today operates only in the domain of electricity sector activities, including 5000 workers banned from Kosovo-Metohija companies. PUC EPS has rationalized its costs in the greatest possible measure. The Government has established in 2005 two completely independent companies from previous vertically integrated company PUC EPS- Public Company for Production and Distribution of Electricity, Managing Distribution System and Trade with Electricity (PUC EPS) and Public Company for Transport of Electricity and Managing Distribution System (distribution system operator and for RS market, PUC EMS- Elektromreža Srbije – Electricity Grid of Serbia), which have started operations on the 1st July 2005. In the next phase are envisaged further activities in incorporation of PUC EPS. The Government has in 2005 established three completely independent companies from earlier vertically integrated company PUC NIS: Public Company For Transport of Oil by Oil Pipelines and Transport of Oil Derivatives by Product Pipelines (PUC „Transnafta”), Public Company for Transport, Storing, Distribution and Trade in Natural Gas (PUC „Srbijagas”) and Joint-Stock Company for Research, Production, Processing, Distribution and Trade of Oil and Oil Derivatives and Research and Production of Natural Gas (NIS a.d.). Oil Refinery Belgrade has also been set aside from PUC NIS and Lubricants’ Factory Krusevac, producing lubricants, and which have been privatized during 2006/2007. Privatization Councillor for NIS a.d. (Joint Stock Company) has also been engaged, who suggested privatization strategy that the Government adopted on July 20th 2006.

After enactment of the Law Confirming Agreement between the Government of the Republic of Serbia and the Government of Russian Federation on co-operation in the field of oil and gas industry, the Agreement on Purchase of stocks of Oil Industry of Serbia (Naftna industrija Srbije a.d. was signed in 2008 between the Republic of Serbia and Open Joint Stock Company ‘Gaspromneft’, from the Russian Federation. At the same time, Memoranda of Understanding on project realization of the underground gas storage Banatski Dvor and Key Conditions for the Main Agreement on co-operation in construction of the gas pipeline „Juzni tok“ (South stream) construction project.

National Action Plan for gasification of the Republic of Serbia has been passed, giving the basic technical and economic data about planned development of gas network in the Republic of Serbia, as well as the Action Plan for Passing Regulations in the Field of Gas. Oil and gas sector actively participates in activities for strengthening regional cooperation, formation of single natural gas market in South Eastern Europe, and especially in implementation of the project of international Pan-European Oil Pipeline.

Mining sector has set for its basic goal enhancement of mining position in the Serbian economy and attracting investments into research and exploitation. The basic prerequisite for achieving this goal was passing of amendments of the Mining Law. The Law has envisaged establishing Mining Agency that would perform expert jobs from the field of mining and geological research. In order to secure financial means for stimulation of small and medium sized mining companies, proposal is prepared for establishing Mining Investment Fund, according to the Strategy of Economic Development of the Republic of Serbia until 2012. The Government started in big mining systems restructuring, with the end goal of privatizing them (RTB Bor, PUC PEU, Trepca mines of lead and zinc, Magnohrom, Zajaca, etc.). Some of them are in the final phase, and some have already been privatized. Adjusting of state administration to introduction of information technologies required compilation and enhancing of GIS technology in the field of mining and geological researches. This process started in 2001, and currently we are unifying all available data for the whole sector..

As Governmental body, there is Energy Efficiency Agency performing expert jobs for improvement of conditions and measures for rational use and savings of energy and energy sources, as well as increased efficiency in use of energy in all sectors of consumption.

Energy resources in the Republic of Serbia are relatively poor and geographically unequally distributed – we import oil, gas, small quantities of quality coal for private consumption, while electricity is still produced based on domestic resources, primarily lignite and hydro-potential, so the import of energy sources shall have to grow in the future, and it shall be accelerated if serious state measures are not implemented in order to stimulate increased energy efficiency (lack of efficiency of all energy transformations is big) and use of remaining domestic resources and renewable sources of energy. Besides that, regarding environmental protection against negative impact of pollutants emission from energy facilities, the Republic of Serbia lags behind developed countries and European Union standards.

Energy sector has significant share (17%) in the scope of implemented international assistance starting from 2000 up to 2007 included. International assistance funds have been directed towards urgency supply of energy short-comings, reconstruction of the existing energy system infrastructure, improving energy efficiency and environmental protection. Speaking about private sector activity, investors showed big interest for concessions for research and exploitation of various ores in several locations. In the next three years other attractive potentials shall also be prepared for concessions, especially in the field of energy.

Table 33. The most important projects in the field of mining and energy in the period 2000-2008

Program / project title	Source of funding
1. Project for Enhancing Energy Efficiency	World Bank
2. ESCEE project (Republic of Serbia)	World Bank
3. EPS: Loan for Energy Sector II	EBRD
4. EPS: Loan for Energy sector reconstruction	EBRD
5. Assistance in creating electrical energy market in the Republic of Serbia	European Union
6. Project for mitigation and control of thermopower station emissions in the Republic of Serbia	European Union
7. Reconstruction or replacement of existing electrical filters on the block TE Nikola Tesla A – block A2	Polish loan
8. Reconstruction or replacement of existing electrical filters on the block TE Kostolac A - block A2	European Union (EAR)
9. Reconstruction or replacement of existing electrical filters on the block TE Nikola Tesla A – block A5	EPS
10. Reconstruction or replacement of existing electrical filters on the block TE Nikola Tesla A – block A1	EPS and Serbian Environment Protection fund (ZZS RS fund)
11. Reconstruction or replacement of existing electrical filters on the block TE Nikola Tesla A – block A4	EPS and ZZS RS fund
12. Reconstruction or replacement of existing electrical filters on the block TE Kostolac A - block A1	EPS
13. Improvement in mining and electrical power industry maintenance	European Union
14. Legal advice for institution capacity building related to Ministry of Mining and Energy	European Union
15. Assistance in energy sector restructuring	European Union
16. Establishment and work of Serbian Energy Agency	European Union
17. Regional stimulation of energy efficiency and renewable sources of energy (Serbia, Montenegro, UNMIK)	KfW
18. Reconstruction of reversible hydroelectric power station in Bajina Basta	JICA
19. Reconstruction of remote heating systems in the Republic of Serbia	KfW
20. Establishment and work of Energy Efficiency Agency	European Union
21. Assistance for energy efficiency in the Republic of Serbia (Assistance to Serbian institutions - financial assistance for work of regional energy efficiency centres and network for energy efficiency in industry)	Norway
22. Feasibility Study for cogeneration plant for heat and electricity in Belgrade	USTDA
23. Assistance in creating gas and electricity market in the Republic of Serbia	European Union
24. Modernisation of communal services (projects for demonstrating energy efficiency, support to the Committee for Energy Efficiency of the Standing	GTZ

Program / project title	Source of funding
Conference of Towns and Municipalities and development of studies for energy efficiency and other projects)	
25. Technical support for signing and ratification of Kyoto Protocol and for interpreting system for promotion of renewable energy sources using green certificates (transferable permits)	Italy
26. Construction of institutions and centre for renewable sources of energy with the Energy Efficiency Agency (Estimate of wind potential as energy source in selected locations – donation of equipment for measuring, technical support for data collection, drafting of study and training of local experts)	Spain
27. Promotion of investments in the energy efficiency and renewable energy projects in the Republic of Serbia (Establishment of DNA)	UNDP
28. Program of Strategic Consolidation of coal mines with underground exploitation	World Bank
29. Restructuring and modernization of coal mines with underground exploitation	Germany, Province of Northern Rhine Westphalia
30. Coal mines with underground exploitation: sustainability, closing and mitigating consequences of closing	European Union
31. Proposal of the amendments to the legal framework for mining sector in Serbia	World Bank
32. Norwegian assistance to Serbia in establishing energy planning at local level	Norway
33. Capacity building study in the area of strategic planning in energy sector of Serbia	Norway
34. Development of strategy for CDM projects in the part pertaining to energy sector projects (implemented as a component within Project of Norwegian Assistance to Serbia in Implementing Energy Efficiency Policy, Compilation of Energy Balance on the Local Level and Kyoto Protocol Implementation	Norway
35. Norwegian assistance to Serbia in implementation of energy efficiency policy, energy balance development at local level and implementation of Kyoto protocol	Norway
36. Drafting the part of the document called: National communication“, related to climate changes mitigation measures	GEF-UNDP
37. Preparation of studies on possible usage of cogeneration and trigeneration in Serbia	USTDA
38. Establishment, organization and development of energy information system.	Budget of the Republic of Serbia
39. Reconstruction of ash and slag transport and disposal system for TPP TENT-B	European Union
40. Reconstruction of ash and slag transport and disposal system and electrofilter for Kolubara-A	EPS and Environment Protection Fund of the Republic of Serbia
41. Reconstruction of ash and slag transport and disposal system for Kostolac-B	Loan from EBRD to EPS
42. DV 400 kV Nis 2 – Leskovac 2 – Vranje 4 – Skopje (Stip)	EIB

Medium term priorities of the Energy Sector in the Republic of Serbia, defined by European Partnership document from 2008 are:

- Adopt and implement long term strategy for environmentally sustainable energy policy.
- Continue implementation of regional and international obligations in the energy field in order to establish competitive regional energy market,

The most important priority in the next period is implementation of the Treaty Establishing Energy Community, abbreviated Energy Community Treaty, signed on October 25th 2005 in Athens, between European Community on one side and South Eastern European countries on the other side, among which is also the Republic of Serbia. This Treaty covers: forming stable regulatory and market frame for electricity and gas, capable to attract investments and representing prerequisite of economic and social progress; creating unique regulatory space for trade with electricity and gas; increasing safety of supply; improving environmental protection and stimulation to use of renewable energy sources; stimulating competitiveness in electricity and gas market.

The Treaty came into force on July 1st 2006, because the European Community and six contractual parties have ratified it. By ratification of this Treaty on July 14th 2006 in the National Assembly and by sending notification to the Trustee for Energy Community Treaty (Secretary General of European Union Council), its provisions are mandatory for the Republic of Serbia starting of the 1st September 2006. Energy Community process, established by signing of the Treaty means establishing regional energy market of South Eastern Europe and its integration into internal electricity and gas markets of the European Community.

Energy Community Treaty provides for:

- implementation into our legislation of the Directive 2003/54/EC EU pertaining to common rules about internal electricity market, Directive 2003/55/EC EU, pertaining to common rules about internal gas market and Rule Book 1288/2003/EC EU about conditions for accessing network for cross-border electricity exchange;
- implementation of Directive 2001/77/EC EU on promoting electricity production from renewable energy sources in the internal energy market and Directive 2003/30/EC EU about promoting use of bio-fuels and other fuels from renewable sources of energy for traffic sector:
- analysis of our existing legislative and institutional framework in the field of competition and state aid from energy sector aspect, in order to deliver initiatives for necessary adjusting and harmonization with EU requirements,
- Drafting of National Plan for Decreasing Negative Social Impacts of Treaty Implementation (the need to bring energy prices, primarily of electricity, to an economic level, internal rationalization of public energy companies and improving their financial performances, re-qualifications and additional qualifications of labor, new knowledge and skills, alternative employment programs, etc.).
- implementation of EU Directive 1999/32/EC about decreasing content of sulfur in certain liquid fuels and additional Directive 93/12/EEC,
- Implementation of Directive 2001/80/EC EU about limiting emissions of certain pollutants into air from big fireplaces.
- Implementation of Council Directive 85/337/EEC dated 27th June 1985 about estimate of influence of certain public and private projects on environment, with amendments of Council Directive 97/11/EC dated 3rd March 1997.
- Implementation of Article 4 (2) of Council Directive 79/409/EEC dated 2nd April 1979 about preservation of wild birds.
- implementation of the Directive 2006/32/EC on energy about energy efficiency and energy services repealing Council Directive 93/76/EEC.

The process of upgrading *Acquis* is inherent to the Energy Community in accordance with the evolution of the European Community Law. Thus, the implementation of the EU Directive 2005/89/EC EU that envisages safeguarding security of electricity supply was inserted in the Agreement. Implementation of this Directive secures successful functioning of EU internal market enable economy development, appropriate level of production capacities, proper balance between supply and consumption and corresponding level of interconnection among country members. For the purpose of own network development, and necessity for further establishment of regulatory framework for transmission and distribution systems operators, is conditioned with harmonization of laws and administrative provisions with EU laws and Directives.

Also envisaged is implementation of EU Directive 2004/67/EC about measures for maintaining security of natural gas supply, and of Rule Book 1775/2005 about conditions for accessing measures for transport of natural gas.

Serbia and Montenegro have on 12th March 2001 ratified Framework United Nations Convention on Climate Changes and achieved status of Non- Annex 1 Party. Ratification of Kyoto Protocol opens up opportunity to implement projects from the field of energy efficiency and of renewable sources of energy by Pure Development Mechanism (CDM projects), while a special importance has previous compilation of

the I National Communication (part of the document pertaining to measures of mitigating consequences of climate changes) and sector Strategies for Applying Clean Development Mechanism (Strategy for Applying Clean Development Mechanism in the Energy Sector of the Republic of Serbia) as well as formation of necessary institutions (National Body for Approving CDM Projects -DNA), procedures and criteria for approving this type of projects. It is necessary to continue work on capacity building for CDM projects' preparation.

As already mentioned, energy sector medium term priority is providing rational use of quality energy sources and increase of energy efficiency in production, distribution and use of energy with end users of energy services. In order to implement this priority, compilation of Program for Rational Use of Energy and for Increasing Energy Efficiency of the Whole Energy System in the Republic of Serbia has been envisaged. In the field of legal regulations, it is planned to pass a law on rational energy use, and it is also envisaged to establish Energy Efficiency Fund, the establishment of which has been envisaged by the Energy Sector Development Strategy until 2015.

Also planned is drafting of programs for selective use of new renewable energy sources in order to decrease spending of fossil fuels, decrease import dependence and achieve production of electricity and heat energy with significantly lower negative environmental impact.

Creating electricity market means establishing such electricity prices that would cover production costs, costs of transfer and distribution, which should enable sustainable development depending on investments. These investments are necessary in order to modernize old capacities and construction of new ones, due to quick growth of demand for electricity in the period of intensive economic recovery of Serbia. The investor, according to the law can be any legal or physical entity, whether domestic or foreign, without any discrimination whatsoever. Real, economic electricity prices are prerequisite for attracting investments into energy sector, so that only correct pricing policy can support development of energy market in the Republic of Serbia (while the policy for the poorest consumers should be moved out of business funds of energy actors, by preparing Program for Social Care of Vulnerable Population Category).

Prices at which the energy is delivered to tariff buyers and prices of services rendered to tariff buyers is determined by energy subject for supply of energy to tariff buyers using Energy Agency methodology. The Government gives consent on enactment on prices after previously acquiring the opinion from Energy Agency. The Law has also regulated procedure and categories of consumers that can become qualified, non-tariff buyers, buying electricity from the supplier they want.

Because increasing of natural gas use is one of the most important strategic directions of development in energy sector of the Republic of Serbia, in the natural gas sector one should secure significant investments. Diversification of sources and directions of supply is the basic motto which one should have in mind during development of this sector. The most important capital investment in this sector is construction of natural gas storage. Besides that, very important investment is also construction of southern line of natural gas transport system for from Nis to Dimitrovgrad, in order to secure the second direction of supply. Also, one should link our gas supply system with the gas supply systems of Bosnia and Herzegovina, Romania, Croatia and Former Yugoslav Republic of Macedonia (FYROM).

Contrary to electricity prices, regulated prices of natural gas have more or less reached the level which covers all justifiable costs of its delivery.

In the mining sector, all marks of line ministry strategy are supported by market reforms and by reconstruction of the mining sector in the Republic of Serbia, which has been adjusted to environmental protection requirements, proving stability of mineral resources and safety of market supply. It is necessary to build strong legal and institutional framework, starting from building National Strategy for Managing Mineral Raw Materials (*Mineral Policy*). Especially necessary is support to establishment and work of the Mining Agency, as a special organization for performing expert jobs, which shall participate in promotion of investments, compilation of mineral raw materials' development strategy of the Republic of Serbia and of sustainable development, balancing reserves of all mineral raw materials. Also in the preparation of documents for granting concessions for exploitation and research of mineral raw materials and in preparation of by-laws and rule books on technical norms and other technical regulations. In order to secure financial funds for stimulating protection and enhancing mining and geological research Mining Investment Fund shall be established, that would primarily serve as support to private initiative in small and medium sized mining companies. In order to secure relevant data from the field of mining and geological researches, activity shall continue on enhancing information system in this field. Work of inspection services covering this field shall be enhanced, especially in the part pertaining to work safety, but also control of collection of compensation for using mineral raw materials.

In the Republic of Serbia there are in total 55 public communal companies with basic activity in production and delivery of thermal energy. Total installed thermal power in boiler units is 6600 MW, making the thermal power plants an important segment in energy system of the country. The status of the system is the best depicted by data regarding age: average age of boilers is 29 years, of distribution network 21.6 years, and of substations 21.5 years. Due to old age, revitalization of remote heating system

is necessary, but with application of modern technical solutions that would enable reliable work and positive effects both from the standpoint of energy savings, as well as regarding ecology. Prerequisite for that are qualitative and well developed projects and change in the tariff policy (introduction of measurement) in order to attract investors and to create conditions for beneficial credits.

The process of legislative, institutional and structural reforms in mining and energy sector has been brought to an end, and now we shall have the revival process that is putting in function implemented reforms and additional adjusting. Because of that, it is necessary to direct international support into development of capacities of the Ministry of Mining and Energy and of other relevant institutions to develop and implement reform in this field. That surely points out to clear need for experts, technical support and for staff training.

Based on presented analysis, one can conclude that priorities of reform in the whole field of mining and energy are as follows in the medium term:

- construction of new electricity and modernization of existing energy facilities in the sectors of: oil, natural gas, coal, electricity, in order to create conditions for safe and reliable work and functioning of energy systems, as well as safe and reliable supply of consumers with energy and energy sources,
- rational use of quality energy sources and improving of energy efficiency in production, transport, distribution and consumption of energy,
- restructuring and privatization of public mining companies,
- creating stimulative mechanisms for private investments into mining and development of small and medium sized mining companies,
- construction and modernization of energy infrastructure,
- establishing national, competitive electricity and gas market,
- creating regional electricity and gas market in SEE and integration into internal energy market of the European Community,
- creating conditions for wider use of renewable energy sources,
- improving environmental protection and its bringing to the level required by the EU energy sector standards,
- harmonization of legislation with EU legal system, implementation of adequate EU directives in this field, establishing new modern technical regulations, rules and standards,
- strengthening institutional capacities in the Ministry, agencies and other institutions, as well as on the local level in order to implement energy policy.

The basic goals of JP EPS business policy are: reliable supply of buyers under economically and ecologically acceptable conditions, with decrease of import of electricity; economic -financial, technical-technological, organizational and management consolidation; opening of domestic market, inclusion into regional electricity market and establishing influential position in the region; improving environmental protection and reaching EU standards in this field.

Strategic EMS priorities are: increasing system safety, decreasing losses during transport, better supply of clients (electricity quality), development of inter-connectivity abilities (bearing in mind the position of Serbia and the number of neighboring EECs), engaging domestic business resources in the biggest possible scope for all new projects and improving ecological aspects induced by this technology.

Reform and investment projects quoted in Tables 20a and 20b directly contribute to implementation of above mentioned priority goals. In that sense, besides securing budget funds and own funds from public companies in the energy field, in the next period as well international community's financial and technical assistance is necessary for implementation of the quoted projects, as well as for approval of loans under conditions better than the market ones. An important source of funds for energy and mining development in the next period shall be concessions and direct foreign investments.

According to the Energy Law, and in line with the Priority Programs explained in the Energy Sector Development Strategy of the Republic of Serbia until 2015, Program for Implementing Strategy of the Republic of Serbia until 2015 for the period from 2007 to 2012 (abbreviated PIS) has defined projects

and activities necessary for implementation in all energy fields. The PIS shall be harmonized with the real needs for energy, at least every second year.

Table 34. Priority Reform Projects in the Field of Mining and Energy in the period 2009-2011

Project Title	Competent Institution	Estimated Project Value (in EUR)	Sources of funding		Planned Start of Project Implementation
			Own	External	
1. Capacity building of the Ministry of Mining and Energy (MoME) for the purpose of implementation of Energy Community Treaty	MoME	400.000			2009
2. Social Welfare programme for vulnerable categories of population that may be affected by opening of the gas and electricity market	Ministry of Labor and Social Policy supported by MoME	800.000			2009
3. Project for formation of Obligatory oil and oil derivate reserves	MoME, Ministry of Trade and Services (MoTS), Ministry of Finance (MoF)	2,000.000			2009
4. By-laws to be adopted based on the Law on pipeline transport of gaseous and liquid carbohydrates and distribution of gaseous carbohydrates, subsequent to its adoption by the National Assembly	MoME	200.000			2009
5. Law on Storage and decanting of Natural Gas and relevant by-laws to this Law	MoME	100.000			2009
6. Legal acts governing the field of comprimated natural gas	MoME	100.000			2009
7. Legal acts governing the field of comprimated natural gas	MoME	100.000			2009

Project Title	Competent Institution	Estimated Project Value (in EUR)	Sources of funding		Planned Start of Project Implementation
			Own	External	
8. Design of the Law on Rational Use of Energy with accompanying bylaws	MoME -GTZ	350.000		350.000	2009
9. The Study for Introduction of Energy Management System in Energy Consumption Sectors in the Republic of Serbia	MoME	200.000		200.000	2009
10. Establishing database of energy indicators and monitoring implementation of the Program in the field of electric energy	MoME	380.000	180.000*	200.000	2009
11. Establishing database of energy indicators and monitoring implementation of the Program in the field of oil and gas	MoME	380.000	180.000*	200.000	2009
12. Establishing of energy indicators in energy consumption sectors	MoME	1,000.000		1,000.000	2009
13. Establishing methodology for determining energy performance of the buildings according to the Directive 2002/91/EC	MoME	1,000.000		1,000.000	2009
14. Technical assistance for establishing, operation and building of capacity of the Fund for Energy Efficiency	MoME	1,200.000		800.000	2009

Project Title	Competent Institution	Estimated Project Value (in EUR)	Sources of funding		Planned Start of Project Implementation
			Own	External	
15. Technical assistance for establishing the system for stimulating production of thermal energy from renewable energy sources	MoME	300.000		300.000	2009
16. Innovation of the hydro power-plants cadastre	MoME and SEEA	1,000.000		1,000.000	2009
17. Capacity building of institutions in the field of CDM project's development	MoME	440.000		440.000	2009
18. Capacity building of the Energy Agency RS (EARS)	EARS	1.500	-	1.500	2009
19. Informative – media campaign aiming to raise citizens' awareness on energy efficiency	SEEA	200.000		200.000	2009
20. Educational campaign in schools aiming to promote education in the field of energy efficiency and renewable energy sources	SEEA	200.000		200.000	2009
21. Monitoring of the Strategy Implementation Program in the field of coal exploitation	MoME	350.000			2009

Project Title	Competent Institution	Estimated Project Value (in EUR)	Sources of funding		Planned Start of Project Implementation
			Own	External	
22. Innovation of existing and enacting new Serbian standards related to projecting, construction and use of RES-objects and preparation of Rulebook on production, testing and sales of facilities, equipment and devices for using RES	MoME	300.000		300.000	2009
23. Strengthening capacities in the field of energy efficiency and implementing measures for increasing energy efficiency	MoME	2,000.000		2,000.000	2009
24. Creating conditions for using hydro-thermal energy in Serbia	MoME	300.000		300.000	2009
25. Study on impact of facilities that produce electric energy out of renewable energy resources (RES) to stability of Serbian electric power system (EPS)	MoME/Transmission System Operator (EMS)/EPS	200.000		200.000	2009
26. Preparation to give concessions concerning development of small hydro power plants (studies and documentation)	MoME	1,000.000		1,000.000	2008-2009 Funds provided from CARDS

Project Title	Competent Institution	Estimated Project Value (in EUR)	Sources of funding		Planned Start of Project Implementation
			Own	External	
27. Analysis of conditions for functioning of financial mechanisms for energy efficiency projects by "third party" based on energy savings achieved through the project (operational conditions for ESCO companies)		200.000		200.000	2009
28. Management strategy for Mineral resources	MoME	200.000		200.000	2009
29. Preparation of technical regulations in the field of mining and geological research, harmonization with EU technical legislation and implementation of European standards	MoME	600.000		600.000	2009
30. Capacity building of the Mining Sector	MoME	1,000.000			2009
31. Establishment of Mining Agency	Government, MoME	3,500.000	1,500.000	2,000.000	2009
32. IT project WEB PORTAL - completion of entire information system for the Ministry of Mining and Energy	MoME	1,100.000		1,100.000	2009
31. Implementation of concession procedure for giving exploitation concessions and use of energy resources – Stavalj	MoME	3,000.000	300.000	2,700.000	2009
34. Projects of closing coal mines and alleviating of consequences	MoME/MoF	50,000.000		50,000.000	2009

Project Title	Competent Institution	Estimated Project Value (in EUR)	Sources of funding		Planned Start of Project Implementation
			Own	External	
35. Design of the enforcement plan and implementation of EU Directive 2005/89/EC into Serbian legislation system providing for measures to preserve and promote secure supply of electric energy, in order to ensure successful operation of internal market	MoME	300.000			2009
36. Design and printing of annual publication of the Ministry of Mining and Energy: "Energy in Serbia".	MoME	12.500	12.500		2009
37. Design of the enforcement plan and implementation in Serbian legislation of the Directive 1998/70/EC on quality of petrol and diesel fuels	MoME /NIS a.d.	200.000		200.000	2009
38. Design of the enforcement plan and implementation in Serbian legislation of the Directive 1999/32/EC on reduction of sulfur contents in relevant liquid fuels with additional Directive 93/12/EEZ.	MoME/NIS a.d.	200.000		200.000	2009
39. Amendments to the Strategy Implementation Program	MoME	125.000	120.000		2009

Project Title	Competent Institution	Estimated Project Value (in EUR)	Sources of funding		Planned Start of Project Implementation
			Own	External	
40. Preparation of detailed impact analysis of the Directive 2001/80/EC concerning combustion in large fireboxes to the operation of electric energy system, as well as the remote heating system, i.e. operation of heating plants and other power plants.	MoME	300.000		300.000	2010
41. Feasibility study called "Use of gas deposit of oil-gas field "Ostrovo" for storage of natural gas	MoME	1,000.000		1,000.000	2009
42. Preparation of technical regulations in the field of electric energy, harmonization with EU technical legislation and application of European standards	MoME	150.000			2009
43. Capacity building of the Ministry of Mining and Energy and Serbian Energy Efficiency Agency for implementing Acquis Communautaire in the field of energy efficiency.	MoME	400.000		400.000	2009
44. Assistance to the Ministry of Mining and Energy in harmonization of Republic of Serbia's regulations in the field of electric energy with EU Acquis in the field of electric energy	MoME	400.000		400.000	2009

Table 35. Priority Investment Projects in the Field of Mining and Energy in the period 2009-2011

Project Title	Competent Institution	Estimated Project Value (in EUR)	Sources of funding		Planned start of Project Implementation
			Own	External	
1. Macro project of oil derivatives pipeline transportation through Serbia – product pipeline system	MoME/JP TRANSNAFTA Pancevo	424,000.000	30%	70%	2009-2013
2. PEOP (Pan-European Oil Pipeline)	MoME /JP TRANSNAFTA Pancevo	298,000.000	15%	85%	2009-2014
3. Underground gas storage Banatski Dvor	MoME/JP SRBIJAGAS Novi Sad	89,500.000	NIP 2007. 1,000.000 NIP 2009. 4,500.000		2007 (ongoing project)
4. High pressure gas pipelines at different directions	MoME/ JP SRBIJAGAS Novi Sad	207,292.000			2007-2009 36,690.842 secured through NIP
5. Environment protection measures and activities plan in NIS a.d. Novi Sad –Petrol –Oil Refinery Pancevo	MoME/NIS a.d Novi Sad	155,000.000			2007-2009
6. Environment protection measures and activities plan in NIS a.d. Novi Sad –Petrol –Oil Refinery Pancevo	MoME/NIS a.d Novi Sad	49,300.000	7,395.000 (15%)	41,905.000 (85%)	2007-2009
7. Replacement of insulation and windows as well as solar collectors to carry out heating services in the households sector	MoME	90,000.000	10,000.000 (NIP)		2010
8. Promotion of energy efficiency in public street lighting in one urban municipality (demonstration project)	SEEA	350.000		350.000	2009
9. Creating conditions for wider use of hydro-thermal energy in Serbia	MoME	2,000.000	2,000.000		2008/2009
10. Testing of wind potential in Serbia	MoME	738.500	738.500		2009
11. Construction of co-generative facility running on biogas obtained from agricultural-generated biomass, organic waste etc. (demonstration project)	SEEA	1,000.000		1,000.000	2009

Project Title	Competent Institution	Estimated Project Value (in EUR)	Sources of funding		Planned start of Project Implementation
			Own	External	
12. Application of solar collectors in buildings (demonstration project)	MoME	1,000.000		1,000.000	2009
13. Mining Investment Fund	MoME/MoF Development fund	20,000.000		20,000.000	2009
14. Construction of new thermo-power capacity - TE Kolubara B	JP EPS Strategy and Investment Directorate	750,000.000	250,000.000	500,000.000 Through strategic partnership	2010
15. Construction of new thermopower capacity - TENT B3	JP EPS Strategy and Investment Directorate	900,000.000	200,000.000	700,000.000 Through strategic partnership	2010
16. Construction of new thermopower capacity TE-TO Novi Sad	JP EPS Strategy and Investment Directorate	200,000.000	50,000.000	150,000.000 Through strategic partnership	2010
17. Construction of new hydropower capacity with EP RS-HE "Gornja Drina"	JP EPS Strategy and Investment Directorate	430,000.000	230,000.000	200,000.000 Through strategic partnership	2009
18. Surface exploitation site Drmno – Kostolac basin and Field B – Kolubara basin	JP EPS Strategy and Investment Directorate	30,000.000		30,000.000	2010
19. Realization of the action plan for environmental protection of the surface exploitation site "Tamnava – West field" Mining basin Kolubara	JP EPS Strategy and Investment Directorate and Environment Protection Department	8,000.000		8,000.000	2011.
20. Realization of the investment plan for environmental protection by closing surface exploitation site "Klenovnik" of Mining basin Kostolac	JP EPS Strategy and Investment Directorate and Environment Protection Department	40,000.000		40,000.000	2011
21. Realization of the investment plan for environmental protection by closing surface exploitation site "Cirikovac" Kostolac	JP EPS Strategy and Investment Directorate and Environment Protection Department	130,000.000	40,000.000	90,000.000	2011

Project Title	Competent Institution	Estimated Project Value (in EUR)	Sources of funding		Planned start of Project Implementation
			Own	External	
22. Construction of waste disposal site for ashes and slag of the Thermal Power Plant Kostolac B within unoccupied space of the surface exploitation site "Cirikovac"	JP EPS Strategy and Investment Directorate and Environment Protection Department	15,000.000		15,000.000	2009
23. Revitalization of the Hydro Power Plant Zvornik	JP EPS Strategy and Investment Directorate and PD "Drinsko Limske Hydro-power plants" Zvornik	75,000.000	40,000.000	35,000.000 with the possibility to apply clean development mechanisms	2011
24. Reconstruction of the system for transport and disposal of ashes and slag from the Thermal Power Plant "(TPP) Nikola Tesla" (TENT-A)	JP EPS Strategy and Investment Directorate - Environment protection Sector and PD TE 'Nikola Tesla' d.o.o.	40,000.000	10,000.000	30,000.000	2010-2011
25. Reconstruction of the system for transport and disposal of ashes and slag from Kostolac-A	JP EPS Strategy and Investment Directorate - Environment protection Department and PD TE -KO 'Kostolac' d.o.o. Kostolac	13,000.000		EPS - KfW Loan	2009-2010
26. Reconstruction of electric filters of the blocks B2 and A6 of the TPP "Nikola Tesla"	JP EPS Strategy and Investment Directorate-Environment protection Department and PD TE 'Nikola Tesla' d.o.o.	12,000.000		12,000.000	2009-2010
27. Reconstruction of electric filters of the blocks B1 a of the TENT-B	JP EPS Strategy and Investment Directorate-Environment protection Department and PD TE 'Nikola Tesla' d.o.o.	7,250.000		7,250.000	2010 - 2011
28. Reconstruction of electric filters of blocks TE Morava – Svilajnac	JP EPS Strategy and Investment Directorate-Environment protection Department and PD TE 'Nikola Tesla' d.o.o.	4,000.000	1,000.000	3,000.000	2010-2011

Project Title	Competent Institution	Estimated Project Value (in EUR)	Sources of funding		Planned start of Project Implementation
			Own	External	
29. Solving problems with electric devices charged with PCB oils in PE EPS (Pyraline oils)	JP EPS Strategy and Investment Directorate-Environment protection Department	6,000.000	6,000.000 Single project for 31. и 34. EPS		2010-2011
30. Continuous monitoring of gas emissions from PD TENT	JP EPS Strategy and Investment Directorate-Environment protection Department and PD TE 'Nikola Tesla' d.o.o.	3,750.000		3,750.000	2010-2011
31. Modernization of monitoring and management system in TENT B	JP EPS Strategy and Investment Directorate-Environment Protection Department and PD TE 'Nikola Tesla' d.o.o.	18,000.000	10,000.000	8,000.000	2009-2012
32. Flue gases desulphurization facility in TE Kostolac B	JP EPS Strategy and Investment Directorate - Environment Protection Department and PD TE -KO 'Kostolac' d.o.o. Kostolac	125,000.000	EPS 35,000.000	90,000.000	2009-2011
33. Introduction of NOx reduction system – NOx primary measures for emissions reduction in TE NIKOLA TESLA B – (blocks B1-B2)	JP EPS Strategy and Investment Directorate-Environment Protection Department and PD TE 'Nikola Tesla' d.o.o.	24,000.000	6,000.000	18,000.000	2010-2011
34. Introduction of NOx reduction system – NOx primary measures for emissions reduction in TE Kostolac B – (blocks B1 – B2)	JP EPS Strategy and Investment Directorate - Environment Protection Department and PD TE -KO 'Kostolac' d.o.o. Kostolac	12,000.000	3,000.000	9,000.000	2010-2011

Project Title	Competent Institution	Estimated Project Value (in EUR)	Sources of funding		Planned start of Project Implementation
			Own	External	
35. Oiled waste water purification system at TE Nikola Tesla A	JP EPS Strategy and Investment Directorate-Environment Protection Department and PD TE 'Nikola Tesla' d.o.o.	500.000			2011
36. Oiled waste water purification systemat TE Kostolac B	JP EPS Strategy and Investment Directorate - Environment Protection Department and PD TE -KO 'Kostolac' d.o.o. Kostolac	500.000			2011
37. Block transformer replacement at Djerdap 1 (three + one reserve)	JP EPS Strategy and Investment Directorate and PD 'Hydro power plants Djerdap' D.O.O. Kladovo	15,500.000		15,500.000	2009
38. Assessment of hydropower potential of the river Velika Morava	JP EPS Strategy and Investment Directorate	700.000			
39. Assessment of hydropower and water potential at the river Drina walley	JP EPS Strategy and Investment Directorate	1,500.000			
40. Procurement of measurement equipment for electric distribution systems (electricity meter)	JP EPS Strategy and Investment Directorate, Electricity Distribution Directorate	40,000.000		20,000.000	2010-2011
41. Construction of TP 220/110 kW Bistrica with adjacent power level lines	JP EMS	8,000.000		8,000.000	
42. Construction of p[ower level line line 400 kW Romania – Serbia	JP EMS	12,000.000		12.000.000	
43. Construction of TP 400/110 kW Vranje 4 with adjacent power level lines	JP EMS	9,000.000		9,000.000	
44. Extension of TS 400/220/110 kV Smederevo	JP EMS	7,000.000		7,000.000	
45. TS 400/110 kV Beograd 20	JP EMS	27,500.000		16,800.000	2009-2010
46. Extension of TS 400/220/110kV Leskovac	JP EMS	7,000.000		7,000.000	2009

Project Title	Competent Institution	Estimated Project Value (in EUR)	Sources of funding		Planned start of Project Implementation
			Own	External	
47. Reconstruction of existing facilities 220 and 400 kV, Nis 2 Beograd 8, Novi Sad 3, Srbobran, Beograd 5, Krusevac	JP EMS	47,000.000		38,000.000	2006-2010
48. Reconstruction of RP electric power plants within EMS	JP EMS	18,000.000	18,000.000		2009-2010
49. Securing safety of radial feeders 110 kV	JP EMS	9,000.000			2009-2010
50. Reconstruction of TS Beograd 1 (110/35/10kV)	JP EMS	5,420.000		5,420.000	2009
51. Rehabilitation of management system at TENT B	JP EPS Strategy and Investment Directorate and PD TE 'Nikola Tesla' d.o.o.	8,500.000		8,500.000 (Swiss assistance)	2009
52. Realization of the energy development strategy in the part related to existing and new thermal energy sources – city heating plants and industrial energy plants	MoME Local self-government	157,740.000	36%	64% secured until 2009 79,050.000	2007-2012
53. Energy revitalization and enhancing energy efficiency in buildings	MoME	328,100.000		Secured funds 38,050.000	
54. Establishing of Fund for Rational Use of Energy – to be realized through energy efficiency SIP and selective use of renewable energy sources	MoME	100,000.000			2009
55. Realization of priorities from the Strategy – Priority Programs: Rational use of energy resources and increase of energy efficiency in energy consumer sectors - Priority Programs: Selective use of new renewable energy sources and new energy technologies	MoME	300,000.000			2009
56. Follow-up the program of realization Energy Development Strategy in the field of coal exploitation	MoME	350.000			2009
57. Mineral resources management strategy	MoME	200.000		200.000	2009-2010

Project Title	Competent Institution	Estimated Project Value (in EUR)	Sources of funding		Planned start of Project Implementation
			Own	External	
58. Preparation of technical regulations in the field of mining and geological exploration, harmonization with EU technical legislation and application of European standards	MoME	600.000		600.000	2010
59. Capacity building in the Mining Sector	MoME	1,000.000			2010-2012
60. Establishment of Serbian Mining agency	Government/MoME	3,500.000	1,500.000	2,100.000	2009-2012
61. IT project WEB PORTAL-completion of whole informational system for the Ministry of Mining and Energy	MoME	1,100.000		1,100.000	2010
62. Implementation of concessional procedure for giving concessions for exploitation and utilization of energy resources - Stavalj	MoME	3,000.000	300.000	2,700.000	2010-2011
63. Mining Investment Fund	MoME/MoF, Development Fund	20,000.000		20,000.000	2010
64. Study for verification of potential for monitoring sustainable development of hunting area	MoME/Copper Institute BOR, JICA (Japanese International co-operation Agency – Donator)	2,200.000	200.000	2,000.000	2009-2011
65. Project of opening and exploitation of coal deposit „Strmosten“- construction of the opening and preparation premises for OP-2	JP PEU – Resavica and RMU 'Rembas' – Resavica	3,500.000		3,500.000	2009-2011
66. Project of opening and exploitation of 'IV block' of the pit 'Ravna Reka' RMU 'Rembas' – Resavica	JP PEU – Resavica and RMU 'Rembas' – Resavica	2,100.000		2,100.000	2009-2011
67. Project of opening and exploitation of coal in the pit 'Jelovac' in the protective shaft of Jelovac mine in block 2 and 3 RMU 'Rembas' – Resavica	JP PEU – Resavica and RMU 'Rembas' – Resavica	3,100.000		3,100.000	2009-2011
68. Project of detailed geological exploration of brown coal in exploitation area of RMU 'Rembas'	JP PEU – Resavica and RMU 'Rembas' – Resavica	1,000.000		1,000.000	2009-2011

Project Title	Competent Institution	Estimated Project Value (in EUR)	Sources of funding		Planned start of Project Implementation
			Own	External	
69. Project of II phase of opening I horizon east wing -central field of RMU 'Soko' – Sokobanja	JP PEU – Resavica and RMU 'Soko' – Sokobanja	4,000.000		4,000.000	2009-2011
70. Project of coal exploitation at P.K. „Biljina struga“ RMU 'Soko' – Sokobanja	JP PEU – Resavica and RMU 'Soko' – Sokobanja	1,200.000		1,200.000	2009-2011
71. Project of basic geological exploration of the eastern part of Sokobanja coal basin	JP PEU – Resavica and RMU 'Soko' – Sokobanja	1,200.000		1,200.000	2009-2011
72. Project of exploitation in the stone coal deposit 'Progorelica'-Baljevac	JP PEU – Resavica and RKU 'Ibarski rudnici' – Baljevac	2,250.000		2,250.000	2009-2011
73. Project of coal reserves exploitation between the rooms OH-800, TN-1 and the normal fault R-8 of the central field in the pit RMU 'Stavalj' – Sjenica	JP PEU – Resavica and RMU 'Stavalj' – Sjenica	750.000		750.000	2009-2011
74. Project of exploitation of remaining coal reserves in the deep parts of the layer in the pit RMU „Jasenovac“ – Krepoljin	JP PEU – Resavica and RMU „Jasenovac“ – Krepoljin	600.000		600.000	2009-2010
75. Project of opening, preparation and exploitation of the field OP-A underlying part of main coal layer of the mine 'Lubnica'	JP PEU – Resavica and RL „Lubnica“ – Lubnica	800.000		800.000	2009-2011
76. Project of necessary equipment for securing required level of protection at work	JP PEU – Resavica	1,000.000		1,000.000	2009-2011
77. Projects of closing down of coal mine and mitigation of consequences	MoME/MoF	50,000.000		50,000.000	2010-2012
78. Copper concentrate production increase from 14,720 tons to 25,760 tons – at the mine Veliki Krivelj until 2011	RTB BOR/MoME	46,143.000		46,143.000	2009-2011
79. Copper concentrate production increase from 5,620 tons to 21,200 tons at the mine Juzni revir Majdanpek until 2013	RTB BOR/MoME	42,653.000		42,653.000	2009-2010
80. Copper concentrate production increase from 2,292 tons to 7,247 tons – Jama (Pit) until 2013	RTB BOR/MoME	7,708.406		7,708.706	2009-2010

Project Title	Competent Institution	Estimated Project Value (in EUR)	Sources of funding		Planned start of Project Implementation
			Own	External	
81. Copper concentrate production increase from 2,422 tons to 4,672 tons – smeltery „Sljaka“ until 2011	RTB BOR/MoME	1,672.000		1,672.000	2009-2010
82. Reactivation and development of the mine „Cerovo“ and reaching capacities of 23,594 tons of concentrated copper in 2015	RTB BOR/MoME	117,655.000		117,655.000	2010-2015
83. Mining and exploration activities at mine – „Crnac“		350.000			2009-2011
84. Mining and exploration activities at mine – „Belo Brdo“		150.000			2009-2011
85. Replacement of flotation equipment in Leposavic flotation		985.000			2009-2011
86. Procurement of mining equipment. at mine – „Crnac“		400.000			2009-2011
87. Procurement of mining equipment. at mine – „Belo brdo“		350.000			2009-2010
88. Construction of new hydropower capacity (HE) Vrutci	JP EPS Strategy and Investment Directorate	50,000.000	30,000.000		2010
89. Revitalization of HE Vlasinska and navigation of water into Vlasina Lake – HE Svodje	JP EPS Strategy and Investment Directorate and PD Djerdap	40,000.000	40,000.000		2010
90. Revitalization of navigation lock at HE Djerdap 1	JP EPS Strategy and Investment Directorate and PD Djerdap	21,000.000	21,000.000		2009
91. Extension of Field D (Removal of village Vreoci)	JP EPS Strategy and Investment Directorate and PD RB Kolubara	149,600.000	149,600.000		2009-2015
92. Opening of PK Field E in mine basin (RB) Kolubara	JP EPS Strategy and Investment Directorate and RB Kolubara	532,000.000	232,000.000	300,000.000	2009-2015
93. Opening of PK Radljevo at RB Kolubara	JP EPS Strategy and Investment Directorate and RB Kolubara	700,000.000	100,000.000	600,000.000	2009-2015

Project Title	Competent Institution	Estimated Project Value (in EUR)	Sources of funding		Planned start of Project Implementation
			Own	External	
94. Opening of PK "Veliki Crljeni"	JP EPS Strategy and Investment Directorate and RB Kolubara	64,000.000	64,000.000		2008-2015
95. Second phase of Tamnava west field	JP EPS Strategy and Investment Directorate and RB Kolubara	153,000.000	53,000.000	100,000.000	2008-2012
96. Revitalization and modernization of TE Kostolac B	JP EPS Strategy and Investment Directorate and TE Kostolac	200,000.000	50,000.000	150,000.000	2010
97. Construction of new business-energy complex	JP EPS Strategy and Investment Directorate and PD EDB	32,000.000	32,000.000		2009-2011
98. Construction completion of the Technical system of JP EPS production capacity management	JP EPS Strategy and Investment Directorate	500.000	500.000		2007-2010
99. Development of JP EPS integral informational system	JP EPS Strategy and Investment Directorate	15,000.000	15,000.000		2007-2011
100. Telecommunication network development	JP EPS Strategy and Investment Directorate	25,000.000	25,000.000		2009-2012
101. Revitalization of HE Djerdap 1	JP EPS Strategy and Investment Directorate, PD Djerdap	130,000.000	51,800.000	78,200.000	2009-2015

** funds proposed for 2007 budget but still not approved*

3.7 Trade and Services

One of the most sensitive and complex economic tasks in the procedure for accession of the Republic of Serbia to the European Union is to do with the development of a modern market and trade structure. It is quite certain that the attitude taken to market and trade should be crucial to the country's future economic development and inclusion in the trends prevailing on the unified European Union market.

Experience shows that the biggest problem in the countries in transition is to do with development of a modern market and trade structure intended to provide for intensive and effective competition between businesses. It has been established beyond any doubt that in the Republic of Serbia, the biggest resistance is shown in the domain of creation of appropriate market conditions precisely.

The Republic of Serbia has still not completed the transition process, the objective of which is a functioning market economy. Although certain results have been achieved, a modern structure of the goods and services market is being developed relatively slowly. There are two very important adverse facts that need to be pointed at here:

1. Slow adoption of suitable institutional regulations dealing with the market and trade, and
2. Non-existence of a suitable information and statistical base necessary for the adoption of appropriate and timely decisions dealing with market and competition

The GDP growth rate in the trade sector was very high from 2001 to 2008, i.e., 161% or 14.7% yearly on average, while the total GDP yearly growth rate in the Republic of Serbia averaged 5.8% in the period under observation. The share of trade in the total GDP of the Republic of Serbia was 6.3% in 2001, in contrast to 11% in 2008 according to the latest official statistics.

Strategic development framework

- National Programme of Integration of the Republic of Serbia in the EU (NPI)
- Poverty Reduction Strategy
- European Partnership Priorities
- Memorandum on the Budget and Economic and Fiscal Policies for 2009, with Projections for 2010 and 2011
- Strategy of Sustainable Development
- Trade Expansion Strategy of the Republic of Serbia

Institutional framework

- Commission for the Protection of Competition (established on 3 April 2006)
- Council of Ministers for the Protection of Consumers (established on 18 April 2006)

Legislative framework

Laws adopted by the National Assembly of Serbia in 2005:

- The Law on the Protection of Competition (RS Official Gazette, No. 79/05)
- The Law on the Protection of Consumers (RS Official Gazette, No. 79/05)
- The Law on Prices (RS Official Gazette, No.79/05)
- The Advertising Law (RS Official Gazette, No. 79/05)
- The Law Amending the Trade Law (RS Official Gazette, No. 101/05)

Table 36 – The laws expected to be adopted in 2009

Draft law	Status
Draft Trade Law	Draft being drawn up
Law on the Protection of Competition	Government adopted the draft and put it in the assembly procedure in March 2009
Law on the Protection of Consumers	Draft was planned to be drawn up in the first quarter 2009
Law on the General Safety of Products	Government adopted the draft in August 2008 and put it in the Assembly Procedure
Draft Buffer Stock Law	Adoption of the draft by the Republic of Serbia Government, planned in the 4 th quarter of 2009
Draft Commodity Exchange Law	Adoption of the draft by the Republic of Serbia Government, planned in the 4 th of 2009
Electronic Trading Law	Government adopted the draft in September 2008 and put it in the assembly procedure

Status of implementation of the most important projects/programmes

1. EAP Interim Project for the engagement of experts in support of implementation of the Law on the Protection of Consumers (PLAC Expert Mission is to be completed in May 2009)
2. The implementation of the CARDS 2006 Project supporting the implementation of the Law on the Protection of Competition is under way, anticipated duration 24 months
3. The implementation of the CARDS 2006 Project supporting the implementation of the Law on the Protection of Consumers to the value of € 1.5 million (+ € 0.5 million for equipment in the 2nd stage) is under way, anticipated duration 24 months

Strategic objective of the Ministry of Trade and Services

Development of a stimulating institutional environment for the purpose of achieving a sustainable expansion of trade and services, with a view to make the share of trade and services in the Republic of

Serbia GDP equal to the European Union average by 2015, the annual export and import rates being 15% and 11% respectively.

- **NPI**

Defines the developmental and strategic objectives, appropriate policies, reforms and measures necessary for the achievement of aims. Sets out the detailed plan of meeting the requirements in the field of trade, as provided also by the CAA.

The Ministry of Trade and Services is responsible for three priority areas: protection of competition, protection of consumers (MTS heads the working group for the harmonisation of regulations in these areas) and protection of intellectual property (with the aid of market inspectorate).

Free movement of goods

Free movement of goods is one of the substantial elements of the development of a unified market, to which a large portion of the European Union legislation is committed. That is a very broad area which encompasses and regulates the movement of goods (putting on the market, control, technical regulations, standards, etc.) on the domestic market, as well as foreign trade (imports and exports).

Harmonisation with the EU

In the first phase, it is necessary to harmonise the national legislation with the requirements implied by the implementation of the Stabilisation and Association Agreement. What this means in practical terms, is that our legislative framework dealing with market regulation and foreign trade should be wholly brought in line with the principles of free movement of goods, such as: principle of non-discrimination of domestic and foreign goods on the market and harmonisation of customs tariffs (harmonised system – customs classification), as well as with the rules provided for this area by the WTO (e.g. Agreement on Technical Barriers to Trade, Agreement on Sanitary and Phytosanitary Rules). In that context, one of the priority tasks in 2009 relates to adoption of the Trade Law, the efficient enforcement of which calls for adoption of a series of other laws in the areas of responsibility of other ministries.

Protection of consumers

The Law on the Protection of Consumers was adopted by the **National Assembly of the Republic of Serbia** on 24 September 2006. It sets out the competences of the MTS in the field of consumer protection, rules of establishment of the **Council of Ministers for the Protection of Consumers** (an advisory body which is going to take part in the setting of policies and instruments in the field of consumer protection, as well as the requirements for their organisation and activity), followed by the adoption of the **National Consumer Protection Programme** (a form of strategy in the implementation of policies and setting the aims of consumer protection). In that context, very big importance is also attached to the enhancement of **capacity of the units for the protection of consumers and market supervision** in the MTS framework.

Requirements with regard to harmonisation with the EU

The drafting of the new Law on the Protection of Consumers, which is going to be in line with the EU legislation, is under way. This will be followed by the drafting of appropriate regulations for the purpose of providing for an efficient implementation of the consumer protection policy in Serbia.

Protection of competition

Under the Ministries Law, the Ministry of Trade and Services should move for harmonisation of the economic policy regulations and measures for the purpose of preventing monopolistic activity and unfair competition from taking place.

In September 2007, the **Group for the Protection of Competition** was formed in the framework of the Ministry of Trade and Services. The Ministry has been awarded a legislative role in the competition protection system, while the Commission retained the supervisory role.

The working group (which besides the Ministry's representatives also included the representatives of the Commission for the Protection of Competition and the European Integrations Office) **drafted the new Law on the Protection of Competition**, which was adopted by the Government in March 2009.

Medium-term priorities of the European Partnership

The European Partnership priorities in the MTS domain are as follows: establishment of structured market control and provision of appropriate coordination among the bodies responsible for market control and intensified protection of competition and consumers.

Poverty reduction strategy (PRS)

The MTS medium-term objectives have been harmonised with those set out in the PRS. The activities in the field of trade will provide for high economic growth and higher competitiveness, which means the following:

- Speeded up association with the EU and provision for macroeconomic, political and social stability,
- Development of strong market-oriented institutions,
- Harmonisation of national legislation with the EU one,
- Risen foreign direct investments,
- Support to the small and medium enterprise sector,
- Improved access to new markets and integration into regional and global markets for the sake of quicker expansion of the private sector, and
- Restructuring of the trade sector enterprises

Memorandum on the Budget and Economic and Fiscal Policies for 2009, with projections for 2010 and 2011

With the adoption of the Memorandum on the Budget, the Government of the Republic of Serbia manifested its full commitment to the implementation of the MTS strategic priorities in the field of trade. The systemic regulations dealing with Serbian national market are going to be harmonised with the WTO rules and the EU regulations. In keeping with the trade expansion strategy, provisions are going to be made for the development of an institutional environment for sustainable trade and services expansion, with a view to making their share in the GDP reach the EU average level.

The medium-term objectives in the field of trade and services are as follows:

- Safe products up to European goods and services quality standards
- Consumer protection up to European standards
- Creation of a developed national goods and services market on which the operating conditions are equal to those on the EU market
- Achievement of market stability

A general product safety law is going to be adopted in keeping with EU directives for the purpose of improving the safety and quality of goods and services up to European standards. Action is going to be taken in the course of 2009 towards developing and positioning of the Republic of Serbia National Brand, which will provide for recognition of the Republic of Serbia and its products. The Ministry of Trade and Services is going to institute the procedure for the establishment of institutions and raising the consumer protection capacity to the level existing in the EU. The establishment of a developed and modernised national goods and services market and development of a modern market and market institution structure entail the revision of the national legislation dealing with protection of competition, improvement of information supply to citizens and businesses about the necessity of abiding by the competition protection rules.

Particular attention is going to be devoted in the field of trade to stepping up the competitiveness of goods and services and making Serbia a more attractive destination to investors in the field of trade and services. Serbian enterprises are going to be given greater encouragement and support for trading on the foreign markets where good opportunities exist for the sale of Serbia goods and services. Priority is going to be given to the expansion of services in the scope of various forms of association, such as clusters and joint ventures, and stepped up activity geared to more efficient promotion of the Serbian export supply on the international market, for the purpose of cutting the foreign trade deficit.

The buffer stock reforms up to European standards are going to provide for functional unity between the strategic and stabilisation-oriented buffer stock.

The goods and services trading as a whole and the conduct of the trade participants are going to be dealt with by a trade law which is going to promote trading in all forms, including electronic trading and trading by personal offer, regulate and provide for inspective supervision of the market, both from the aspect of curbing the grey goods and services market and the aspect of market supply in goods and services of guaranteed quality.

It is going to be provided for the development of competitive conditions in the trade sector, in the case of which particular importance is attached to establishment of the same conditions for the existing and new trade chains.

The fields of electronic trading, sales incentives, commodity exchange and protection of intellectual, industrial and commercial property rights are also going to be dealt with and the technical legislation is going to be harmonised, too.

Sustainable development strategy

The insufficient openness and competitiveness of Serbian industries is largely owed also to the existence of state monopolies, involving public enterprises on national and local levels in particular, as well as enterprises vested with special and exclusive rights, not to mention the linkage between the political and industrial spheres of public life. Hence the necessity of taking action toward improving the competitiveness further by modifying laws suitably and in keeping with the EU practices, as well as by stepping up the capacity of the competent regulatory body and encouraging science research in the competition domain.

The global changes in the structure of production factors are indicative of a growing predominance and superiority of the so-called immaterial factors of economic growth (such as know-how, information, organisation, education and legal system). The services sector expansion is making a growing contribution to the knowledge-based economy. The mass supply in and growing accessibility of services based on IT development are cutting their price rapidly, which is making it possible for them to be used by a practically unlimited number of users worldwide. The services sector is more productive than others and as such, it is of great importance for sustainable development of the national economy as a whole.

Ministry strategies and action plans for their implementation

Trade expansion strategy and policy of the Republic of Serbia

The main directions of trade expansion in the Republic of Serbia are set out in the Republic of Serbia Trade Expansion Strategy for the 2009-2012 Period. This strategy was adopted at the beginning of 2009 and it presents the framework for adopting the political and institutional solutions in the field of trade.

The following main **strategic priorities** are set out in the Trade Expansion Strategy until 2012:

1. Creation of the conditions for development of a modern structure of the market and trade of the Republic of Serbia;
2. Development of an institutional and legislative framework in keeping with positive EU practices and provisions in the field of trade;
3. Development of an analytical and information base for trade management on all decision-making levels;
4. Creation of the conditions for stepping up competition and expansion of entrepreneurship on the market of the Republic of Serbia;
5. Creation of the conditions for uniform trade expansion and regular supply to population;
6. Improvement of the conditions for expansion and toughening of the small and medium enterprise segment of the trade sector;
7. Creation of the conditions for internalisation of the operation of domestic trading enterprises;
8. Creation of the conditions for greater inflow of foreign investments in the trade sector;
9. Creation of the conditions for development of modern market institutions; and
10. Improvement of the conditions for expansion of electronic trading

MTS medium-term objectives until 2012:

1. Developed internal goods and services market characterised by uniform regional presence of modern trade, along with optimal market supply in safe products of European quality, as well as price stability;
2. Protection of competition up to EU standards;
3. Encouragement and support to domestic trade sector to go on foreign markets for the purpose of boosting Serbian exports;
4. Higher competitiveness and encouragement to direct investment in the trade and services sector
5. Consumer protection up to EU standards
6. Developed and positioned Serbian national brand
7. Further market liberalisation on the basis of new free-trade agreements, with the inclusion of Serbian economy in the world (WTO), European (EU) and regional (CEFTA) integrations;
8. Buffer stock reforms up to EU standards;
9. Upgraded services sector up to EU standards;

10. Market surveillance up to EU standards, as a precondition for setting the base for introduction of the system of self-regulation of businesses.

Table 37. Priority capital investment projects

Name of project	Competent institution	Estimated value of project (Euro)	Sources of financing		Planned project implementation starting date	Documentation status
			Own funds (Euro)	External financing sources		
1. Design & construction of 2 (two) 13,000 and 15,000m³ oil tanks & appurtenant infrastructure in Prahovo	MTS Republic Buffer Stock Office	6,202,082	3,044,187		First quarter 2009	One tank to be built using the available funds
2. Remodelling of R-29 60,000m³ oil tank and two 15,000m³ oil tanks in Smederevo	MTS Republic Buffer Stock Office	7,342,105	2,442,105		First quarter 2008	R-29 tank to be completed by the end of 2009 and the schedule of work on the two 15,000m³ will be set if funds are granted
3. Construction of 2 5,000m³ oil tanks in Pozega	MTS Republic Buffer Stock Office	2,190,864	2,190,864		First quarter 2009	Two tanks are to be constructed using the funds obtained

Priority trade and services reform plans in the 2009-2011 period:

1. Drafting of the law and regulations dealing with trade;
2. Establishment of the institutions for goods market expansion;
3. Establishment of the Trade Expansion Centre;
4. Development of a unified trade information system of the Republic of Serbia (UTIS);
5. Investigation of relations and cooperation of participants in the RS market;
6. Encouraging the expansion of small and medium trading enterprises;
7. Support to the development of domestic brands for the purpose of making Serbian industries more competitive;
8. Encouraging foreign trading chains to come to the Serbian market;
9. Encouraging the expansion of entrepreneurship and competitiveness in the Serbian trading sector;
10. Encouraging the expansion of E-trading;
11. Expansion of commodity exchanges and brokers

Table 38. Priority reform-oriented projects

Name of project/programme	Competent institution	Estimated value of project	Financing sources		Planned project implementation starting date
			Own funds	External financing sources	
1. PG Establishment of a modern goods & services market/ PK Upgrading of services sector data analysis	MTS	Euro 380,000	Euro 380,000	/	Second quarter 2008 (until 2011)
2. PG Improvement of the protection of services consumers in the Republic of Serbia /PK Consumer education in the field of services	MTS	Euro 300,000	Euro 200,000	Euro 100,000	First quarter 2009 (until 2011)
3. PG Linking up service providers into clusters	MTS	Euro 350,000	Euro 250,000	Euro 100,000	Second quarter 2008
4. PG Bringing products & services up to European standards/ PK Support to preservation and advancement of old crafts	MTS	Euro 2,500,000	Euro 2,000,000	Euro 500,000	First quarter 2009 (until 2011)
5. PG Development and positioning of Serbian national brand/PK Development and positioning of Serbian national brand	MTS	Euro 10,000,000	Euro 10,000,000	/	First quarter 2008 (until 2011)
6. Support to implementation of the General Product Safety Law (informative and educative campaigns)	MTS	Euro 150,000	Euro 35,000		First quarter 2008
7. Establishment of quality & origin marks	MTS	Euro 80,000	Euro 80,000		First quarter 2008
8. Stepping up the consumer protection in the Republic of Serbia (CARDS)	MTS	Euro 1,500,000	Euro 6,500	CARDS 2006 Euro 1,500,000	Last quarter 2007
9. Increasing the capacity of MPS & consumer organisations	MTS	Euro 360,000	Euro 210,000		First quarter 2008
10. Starting up a magazine & a regular TV programme about consumer protection	MTS	Euro 150,000	Euro 40,000	Euro 10,000	First quarter 2008
11. Development & upgrading of a body for extra-judicial protection of consumers	MTS	Euro 20,000	Euro 4,500		First quarter 2008
12. Advisory centres and central call centre for consumer protection	MTS	Euro 750,000	Euro 530,000		First quarter 2008
13. Advancement of competition protection in the Republic of Serbia	MTS	Euro 18,750	Euro 18,750		First quarter 2008
14. Development of a constitutional & legislative framework in keeping with positive EU practices & provisions in the field of trading	MTS	800,000	300,000	500,000	January 2009

Name of project/programme	Competent institution	Estimated value of project	Financing sources		Planned project implementation starting date
			Own funds	External financing sources	
15. Establishment of an analytical and information base for trade management on all decision-making levels	MTS	510,000	255,000		March 2009 (2 years)
16. Creation of conditions for improvement of competitiveness and expansion of entrepreneurship on the market of the Republic of Serbia (incentives to the expansion of SME in trading, development of brands for the sake of risen competitiveness and arrival of foreign trading chains on the Serbian market)	MTS	450,000	225,000	225,000	January 2009
17. Incitement to E-trading expansion	MTS	700,000	200,000	500,000	January 2009
18. Expansion of commodity exchanges and brokers	MTS	30,000	10,000	20,000	January 2010
19. Increasing the MTS administrative capacity & upgrading cooperation with other institutions in the field of consumer protection	MTS	100,000	50,000	50,000	January 2009
20. Increasing the capacity of consumer organisations & financing of their projects	MTS	200,000	100,000	100,000	January 2009
21. Establishment of a unified information system for consumer protection	MTS	600,000	300,000	300,000	January 2009
22. Information & education of citizens & businesses about the consumer protection rights and policy	MTS	100,000	50,000	50,000	January 2009
23. Market supervision in keeping with EU legislation	MTS	500,000			January 2009
24. Increased coordination of inspective supervision (legislative and institutional framework for implementing the strategic commitment to the establishment of the Council)	MTS	500,000			January 2009

Name of project/programme	Competent institution	Estimated value of project	Financing sources		Planned project implementation starting date
			Own funds	External financing sources	
25. Informatic infrastructure supporting the work of market inspectorate – inspection bodies (upgrading of the software supporting the market inspection and quick exchange of data on unsafe products)	MTS	200,000			January 2009

3.8 Education

The education system reforms were started up in the Republic of Serbia in early 2001, on the basis of international recommendations and reports pointing at the existence of a highly centralised, very neglected system burdened by inequalities and restrictions (in the sense of accessibility and non-flexibility).

The main changes in the education system have been institutionalised with the means of the Law on the Fundamentals of the System of Education and Instruction of 2003 and the amendments to that law adopted in 2004, as well as the Higher Education Law of 2005. Furthermore, some improvements were made by establishing new institutions to deal with the development of certain segments of the education system (professional development of teachers, quality assurance, etc.) by implementing many development programmes and projects in the field of development of schools as organisations, improvement of the capacity of the education system staff, emergency capital investments, etc.

Modernisation of the education system has been undergoing ever since 2001 for the purpose of increasing its efficiency and improving the quality of the knowledge and skills acquired, so that education could make a greater contribution to economic development and social progress of the Republic of Serbia, and its accession to the EU. The rationalisation and reorganisation of the network of educational institutions on all levels, implementation of the standards and advanced teacher training programmes and revision of curricula are under way. Even so, the Ministry is still not satisfied with the results achieved in the way of decentralisation because, among other things, of the discrepancy between the regulations dealing with the education system and those applicable to operation of the local government authorities. With all of its complex problems with underdeveloped capacity for assuming rights and responsibilities, democratisation of the education system is leading to impeded linking between the educational and instructive institutions and the local labour market. The Ministry of Education has been making endeavours continuously in the period under observation towards improving the quality of curricula and programmes, as well as the contents of education on all levels, starting from the pre-school one. Special regulations deal in greater detail with the system of grading pupils, advanced training of teachers, equipping of educational institutions, introduction of new educational profiles, way of monitoring and evaluating and self-evaluating the work of institutions, way of planning and programming the work of institutions and other issues of importance for operation of the education system in keeping with the new systemic law.

Despite all the efforts made and the fact that international aid amounting to € 106 million was invested in the education sector from 2000 to 2006, there is still a lot to be done towards making improvements in various areas: from those in which changes can be registered easily, to those calling for urgent interventions, new systemic solutions or long-term support.

Some of the problems that the Ministry is confronting and for which there are no quick and simple solutions are the follows:

1. The problem of high illiteracy rate (despite its developed elementary school network, according to the 2002 Census, the Republic of Serbia has 357,552 inhabitants without any education, 227,000 illiterate inhabitants, 126,127 of those who had completed one to three elementary school grades, 896,847 who had completed four to seven elementary school grades and 1,509,500 who had received the elementary school education only).
2. The problem of insufficient accessibility of educational services to some categories of population (low level of expenditures on education (3.3% of the GDP) in the Republic of Serbia) is reflected badly on the accessibility of education to children of the neediest layers of population, as well as on the quality of the services offered in the field of education).
3. "Non-flexibility" of the education system with regard to the possibility of selecting and changing occupation during and after education and/or non-existence of systemic conditions for horizontal and vertical passage through profiles and courses, which after formal education is reflected by a lasting need for staff retraining.
4. Non-adjustment of the education system to the labour market needs, resulting in the migration of a large number of young people abroad, in the course of and after receiving secondary school education), for the purpose of getting jobs, which is affecting precisely the most important areas of development of modern society: electrical engineering, information technology, process engineering, medicine, pharmacology, etc.
5. Low rate of staying in the field of education or the problem of leaving school before the completion of programme (the so-called "dropping out"). This problem is most widely spread in vocational and college education.
6. The development of educational standards is a process which has been intensified in the last few years and it has already yielded the first important results, particularly on the higher education level. However, in view of the complexity of this process, it would be necessary to make big efforts and invest assets in order to set up this system on all education levels adequately.

7. Outdated teaching methods and school programmes – impossibility to meet the employers' requirements on completion of formal education, which call for application of the knowledge and skills acquired.
8. Insufficient efficiency of the system – outdated system of funding schools and their staff.

Table 39. Most important Ministry of Education projects in the period under observation (2000-2007)

Name of programme/project		Value	Source of financing	Implementation period
1.	Development of education system in the Republic of Serbia	World Bank	US\$ 10,000,000	2002 - 2007
2.	Teacher training and establishment of the National Centre for Advanced Teacher Training	SDC	Euro 60,000	2002-2003
3.	Vocational training reforms	EU	Euro 4,000,000 EYP	2003 -
4.	PISA Project	OECD		2003 -
5.	Establishment of the Advanced Teacher Training Centre in Nis	Government of Norway	Euro 1,315,000	2004 -
6.	Teaching Staff Advanced Training Programme in the Republic of Serbia	CIDA	CAD 2,000.000	2004-2007
7.	Vocational Education Reforms in Economics, Law and Administration Projects	GTZ	Euro 1,300,000	2004-2006
8.	School Upgrading Project	EIB	Euro 25,000,000	2005 -
9.	Construction & equipping of schools in Zajecar district	Government of Norway	Euro 1,987,600	2006 - 2007
10.	Support to the education of Roma and minorities	OEBC	Euro 350,000	2005-
11.	Towards more efficient reforms – System of planning, budgeting and monitoring activities in the MES	Government of Norway	Euro 30,000	2006
12.	Healthy start – Healthy finish – Special sport equipment for pre-school establishments and staff training (1)	Government of Norway	Euro 88,000	2006-2007
13.	Energy efficiency	World Credit Bank	US\$ 21,000,000	2004-
14.	Grants offered towards upgrading elementary school libraries	SDC	Euro 100,000 EYP	2003
15.	Equipping of the Ministry regional sections and resource centres	SDC	Euro 40,000	2003
16.	ERCU Project – Reform Activity Coordination Office	SDC	Eur 200.000	2003
17.	Tempus	EU	Euro 9,000,000	2002-

The main objectives of the education system reforms in the Republic of Serbia are as follows:

- Improvement of the quality of education by rationalising the existing educational and instructive programmes, developing new educational and instructive programmes and modules, setting the quality standards in special scientific and teaching areas, elementary and secondary school teacher training and creating the conditions for the writing and use of modern textbooks and manuals for students and teachers;
- Continued secondary school reforms along with continuous evaluation of the new pilot programmes and making interventions for the purpose of securing the quality of new programmes, introduction of new educational profiles in vocational school and their application

in a large number of school and development of facultative programmes in high schools as an introduction of changes in the regular curricula;

- Providing systemic opportunities for the acquisition of qualifications for adults;
- Inclusion of the vulnerable population and persons with special needs in the education system on the basis of the affirmative action measures recommended by professional teams and concurrent staging of special teacher seminars for work with children having special needs.

From the aspect of poverty reduction in the field of education, priority is given to the efficiency of the education sector and education reforms suited to the market economy needs and private sector expansion, with full inclusion of the endangered population categories and ethnic minorities (rural population, Roma, children with disabilities, refugees and internally displaced persons) in the formal education system. This means a reform of the preschool instruction which includes the programmes (with appropriate staff support) for the biggest possible coverage of children from indigent families, elevation of the Roma general education level, as well as the elevation of the working qualification of the unemployed. To that end, the statutory obligation to attend the preparatory preschool programme would be one of the ways of overcoming the barriers to the children having inadequate conditions for development in the preschool period.

With regard to the needs of industries, the objectives of the secondary school, college and university education reforms are as follows:

- Education oriented not only to the improvement of fundamental knowledge, but also of applicable knowledge and linking with the word of labour,
- Making young people ready for advanced training and retraining, bringing diplomas and qualifications up to world standards, as well as diversification of the institutional forms and models, programmes and methods of work,
- Reforms of the curricula and teaching programmes for the sake of functional, computer and technological literacy, encouraging creativity and development of critical thinking and necessary skills for each individual,
- Development of the education system in keeping with the philosophy of lifelong learning. This calls for introduction of the measures which would encourage employers in the expansion of knowledge of the already employed workers, so that they could take part in the processes of changes and technological modernisation of industries.

The main strategic document concerning the development of the sector of education in the Republic of Serbia is the Ministry of Education Strategy for the 2005-2010 Period. Furthermore, the strategic developmental framework also includes the National Action Plan for Children, Poverty Reduction Strategy of the Government of the Republic of Serbia, Vocational Education Strategy in the Republic of Serbia and Adult Education Development Strategy. The international documents setting the course of development of the education system in Serbia are as follows: European Framework for the Improvement of Vocational Education and Training, Millennium Development Goals, Strategic Goals of Education and Training in the EU Countries, Bologna Declaration, European Charter for Regional and Minority Languages, Information Society Development Strategy in the Republic of Serbia, National Strategy of Serbia for Accession of Serbia and Montenegro to the EU, National Employment Strategy for the 2005-2010 Period and National Economic Development Strategy of the Republic of Serbia from 2006 to 2011.

The changes in the education system are regulated by the Law on the Fundamentals of the Education and Upbringing from June 2003, amended in 2004, and the Higher Education Law from 2005. The Law on Preschool Upbringing and Education is in the assembly adoption procedure, which also goes for the Textbooks and Other Teaching Aids Law. The Ministry of Education will be in charge for drafting the new Elementary Education and Instruction Law and the Secondary Education and Instruction Law, which are going to deal in greater detail with the mode of operation of these subsystems, as well as with the matters not dealt with by the systemic law.

The following institutions are responsible for the conduct of reforms in this area: Ministry of Education, Office for the Advancement of Education and Upbringing and Office for Quality Assurance of Education and Upbringing, as well as the National Education Council and the National Higher Education Council. The reforms in education system are going to be carried on with for the purpose of improving the quality and efficiency of education and making education accessible to everybody, in keeping with the principles of lifelong learning and harmonisation of the education system with the EU education development principles. The implementation of the obligatory preparatory preschool programme in the duration of at least six months was started up in the preschool establishments and elementary schools as of the 2006/2007 school year. The Ministry of Education staged a programme implementation seminar for instructors and associates. Furthermore, plans have been made for increasing the participation of adult population in the education and learning programmes and projects, as well as for developing a remote education programme.

The higher education system is going to be upgraded for the purpose of reducing the duration of studies and increasing the number of graduates in relation to the number of enrolled students. The

special impacts of application of the Higher Education Law are expected to be felt starting from the 2006/2007 academic year. The harmonisation of curricula and programmes with the Bologna Declaration principles, their accreditation and conversion of advanced schools (two-year colleges) into higher education institutions are the goals the achievement of which will be conducive to a higher quality and more useful higher education system. Furthermore, the higher education institutions have also been assigned the task of drawing up the National Framework of Higher Education Qualifications, where professional assistance is expected from the Council of Europe.

In order to achieve the goals and perform the tasks of the education system reforms as a whole, it is necessary to focus particularly on the steady funding of educational institutions from the Republic of Serbia Budgets and the budgets of the local self-government units. The provision of the main conditions for educational and instructive work of schools calls for continued remodelling, repair and additions to school buildings, equipping of classrooms, laboratories, cabinets and physical training halls. For the purpose of improving the quality of education, more efforts is going to be made on the linking of schools into a unified information system and the equipping of multimedia classrooms.

The main long-term goal in the field of secondary school education is the development of an open and flexible system of vocational education suited to the demographic, socio-economic and technical/technological needs, as the key precondition for the advancement of human potential and successful integration of the Republic of Serbia into the European cultural and economic environment.

The implementation of such strategic goal in the field of education entails the establishment of national councils for education on all levels, establishment of a vocational education accreditation and certification system, development of standardisation in vocational education (vocation standards, education standards), advanced training of teachers and staff, monitoring the quality on all levels of education and better education system funding.

The following medium-term priority goals of the Ministry of Education have been set on the basis of the previous analysis:

- An efficient quality assurance system on all levels of education and upbringing
- Decentralised system of education and upbringing, with a clear division of roles and responsibilities on all levels
- Opportunities for young people and adults to acquire the skills, knowledge and capabilities for work and employment, further education and learning
- New model of funding the educational institutions
- Increased capacity of the educational and upbringing system for inclusive education of handicapped children
- System for giving support to talented pupils and students
- Advanced adult education system
- Greater coverage of Roma and improvement of the quality of Roma education and upbringing together with application of systemic measures which will improve the Roma position in the field of education
- Developed capacity of the Ministry of Education and relevant institutions for a proper access to, use and management of the various sources of financing
- Developed capacity of the Ministry of Education for successful implementation of the EU programmes and recommendations in the field of education and upbringing
- Education and upbringing regulations brought up to the EU standards on the basis of the priorities set out in the procedure for association with the EU
- The Ministry of Education staff made capable of dealing with technical matters allowing the education and upbringing system to function more efficiently
- Illiteracy rate reduced by 10% by 2010
- Efficient management of resources in the field of education using all-inclusive databases on all education and upbringing levels.

The Ministry of Education has set the priority projects which are going to contribute to the achievement of the mentioned goals.

Table 40. Priority capital investment projects in the field of education in the 2009-2011 period

Name of project	Competent institution	Estimated value of project	Sources of financing		Planned project starting up time	Documentation status
			Own funds	External sources of financing		
1. Programme of investment in education infrastructure	Ministry of Education	€ 23,000,000		€ 23,000,000 – IRA 2010	2011	Project proposal prepared
2. Equipment for Education Information System (EIS) of the Republic of Serbia	Ministry of Education	€ 920,150		€ 920,150 – Government of Italy	2009	Draft project proposal and procurement schedule prepared
3. Equipping of multimedia centres in secondary art schools	Ministry of Education	€ 680,150		€ 680,650 – Government of Italy	2009	Draft project proposal and procurement schedule prepared
4. Reconstruction of the Mika Mitrovic student hostel in Belgrade (accommodation for persons with special needs)	Ministry of Education	€ 3,937,678		Bilateral donors	2009	Project documentation prepared
5. Improvement of living standard in student hostel–connection to academic network	Ministry of Education	€ 60,627		Bilateral donors	2009	Draft project proposal prepared
6. Improvement of the welfare/health component of students' life with the construction of a sport and recreational centre and repair of the existing grounds	Ministry of Education	€ 368,850		Bilateral donors	2009	Draft project proposal prepared
7. Design & construction of a sanitary water heating system using solar collectors	Ministry of Education	€ 293,230		Bilateral donors	2009	Draft project proposal prepared
8. Improvement of accommodation capacities of the Nis Student Centre with the construction of a student hostel	Ministry of Education	€ 9,660,000		Bilateral donors	2009	Draft project proposal prepared

9. Information System of Inspection ISI	Ministry of Education	€ 3,346,000		Bilateral donors	2009	Draft project proposal prepared
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Priority reform projects in the field of education in the 2009-2011 period

Name of project	Competent institution	Estimated value of projects	Sources of financing		Planned project starting up time	Documentation status
			Own funds	External sources of financing		
1. Improvement of the system of vocational education & training in Serbia	Ministry of Education	€ 4,000,000		€ 4,000,000 - IPA 2007	2009	Project proposal prepared
2. Quality assurance in secondary and post-secondary non-university education	Ministry of Education	€ 4,000,000	€ 2,000,000	€ 2,000,000 - IPA 2008	2009	Draft project proposal prepared
3. Education for all – improvement of the accessibility and quality of education for children from marginalised groups	Ministry of Education	€ 3,000,000		€ 3,000,000 - IPA 2008	2009	Draft project proposal prepared
4. „Second chance“ – Development of the system for functional education of adults in Serbia	Ministry of Education	€ 7,500,000	€ 3,000,000	€ 4,500,000 - IPA 2008	2009	Draft project proposal prepared
5. Advancement of preschool education in Serbia	Ministry of Education	€ 5,000,000	€ 1,250,000	€ 3,750,000 - IPA 2009	2010	Draft project proposal prepared
6. Tempus	Ministry of Education	€ 7,000,000		€ 7,000,000 - Multiuser IPA 2009	2009	Draft project proposal prepared
7. Regional centre for entrepreneur training	Ministry of Education			Multiuser IPA 2009		Draft project proposal prepared
8. Advanced training of teachers	Ministry of Education			Multiuser IPA 2009		Draft project proposal prepared
9. Improvement of the capacity for inclusion of Serbia in European programmes in the field of education & training	Ministry of Education	€ 3,000,000		€ 3,000,000 - IPA 2010	2011	Draft project proposal prepared

Name of project	Competent institution	Estimated value of projects	Sources of financing		Planned project starting up time	Documentation status
			Own funds	External sources of financing		
10. Safe growing up – support to children in the development of socially answerable models of behaviour	Ministry of Education	€ 373,000		€ 373,000 – Government of Norway	2010	Draft project proposal prepared
11. Development of entrepreneurship as key competence with high school students	Ministry of Education	€ 336,960		€ 336,960- Government of Norway	2010	Draft project proposal prepared
12. Press F1 – help yourself (promotion of regional economic development)	Ministry of Education	€ 150,688		Bilateral donors	2009	Draft project proposal prepared
13. Raising the level of student life up to the standards existing in the EU member countries	Ministry of Education	€ 43,680		Bilateral donors	2009	Draft project proposal prepared

3.9 Culture

The strategic goals of the Ministry of Culture have been set on the basis of the fundamental principles in the field of culture and media, which are to do with freedom of cultural and artistic creativity and observance of the right to culture, equality of all cultures in the territory of Serbia, preservation of cultural identities and cultural diversity, responsibility of public authorities for the expansion of culture and arts, support to the development of cultural quality and innovations in the field of culture, harmonisation of the systems in the field of culture and media with the EU and Council of Europe standards, establishment of a modern, efficient, rational and creative system of culture management, transparency of cultural action and observance of copyrights. This means the establishment of cultural policy standards and development of systems in the field of culture, upgrading and modernisation of cultural institutions, preservation of cultural heritage and cultural diversity and their inclusion in the modern cultural flows in the world, creation of conditions for the expansion of creativity in all branches of arts, raising the level of citizen participation in cultural activities and uniform development in the domain of culture throughout the territory of Serbia – decentralisation of culture, active participation of artists and modern artistic creativity in international cultural flows, improving the quality of media production, encouraging the development of self-regulation and harmonisation of the media legislation with European standards.

The establishment of standards in cultural policy and the development of systems in the field of culture encompass the creation of the legal framework by adopting the General Culture Law and other laws dealing with various cultural activities, support to the development of organisational forms in the domain of cultural industries and national centres for various cultural activities, followed by the introduction of strategic planning and evaluation as a precondition for cultural development and duty of all involved in culture – adoption of the Programme of Cultural Development and Support to Cultural Researches – cultural policy and management based on facts and adoption of taxation and other laws of importance for culture.

The upgrading and modernisation of cultural establishments means the development of permanent professional education and giving support to the most skilled personnel, encouraging the inter-sectoral activity (culture/science; culture/education; culture/tourism; culture/economy...), development of strategic management and marketing, followed by the development and diversification of the public (minority groups, children, persons with disabilities, special needs, etc.), as well as the development of infrastructure, specifying the professional standards, particularly for the national minority cultures.

The preservation of cultural heritage and its inclusion in the modern world cultural flows encompasses the recording, revision and re-categorisation of material and immaterial heritage, support to the preservation and development of the Serbian language and colloquial culture, preservation of the languages of national minorities, support to the projects of inclusion of cultural heritage in the modern cultural and artistic flows, as well as inclusion of cultural heritage in the broader economic development programmes, creation of conditions for the development of complex, economically sustainable cultural projects through the expansion of cultural tourism, digitalisation of material and immaterial cultural heritage and establishment of the Institute of Restoration and Conservation.

The creation of conditions for the expansion of creativity in all branches of arts means the introduction of a transparent and objective system of distribution of funds on the basis of annual competitions in accordance with pre-determined criteria, a clear policy of funding the artists and artistic projects in the form of purchasing, ordering, inter-ministry funds, statutory facilities for funding the artistic creativity, encouraging sponsorships and donorships (workshops, ateliers, studies, residential programmes and advanced training of artists, etc.), development of a new system of values, through a policy of awarding national prizes for artistic creativity, prize for the development of relations between industries and culture, prize for the media contribution to culture, prize for contribution to the development of arts in the field of education, as well as the development of the national minority creativity.

The raising of the level of citizens' participation in cultural activities and uniform cultural development throughout Serbia – decentralisation means the development of the programmes and projects intended for children, development of programmes and projects for the environments having no cultural infrastructure, along with allowing the vertical and horizontal linking of local participants, development of programmes and projects intended for participation of the minority groups in cultural life, support to the preservation of cultural versatility, as well as to cultural dialogue and adoption and implementation of the action plan for the *Roma Decade*.

Active participation of artists and modern artistic creativity in the international cultural flows is going to take place with the support of international organisations (European Commission, UNESCO, Council of Europe, etc.), cultural networks (ICOM, IFLA, IETM, ELIA, etc.) and international cultural events (biennials, festivals, programmes of the cultural capitals of Europe, etc.), followed by support to inclusion in the international projects competing for the EU and Council of Europe benefits, support to the *Cultural Contact Point*, provision of financial participation in the EU projects, with the means of support to the international dimension of projects and events staged in Serbia, with a strong emphasis on

cooperation in the South Eastern Europe region and Europe as a whole and by working on the establishment of inter-ministry cooperation in the field of culture with other competent ministries.

The harmonisation of the media legislation with European standards and new technologies should provide for enhancement of the media freedoms, professional and production capacities and create the conditions for the advancement of audio-visual creativity. It would be necessary to take a set of steps which would create the conditions for and give support to the implementation and enhancement of the social role and responsibility of the media in the process of Euro-integration and development of civil society. It has been planned to encourage the projects leading to the upgrading of professional and technical standards in the media versatility of the programmes contributing to the media pluralism and exercise of the right to information.

The growing capacity of the independent media regulatory bodies, development of self-regulation in the media sector, support to permanent education of media specialists, encouraging the media literacy, upgrading and expansion of the media market and encouraging the function of the media as the producers of arts are the priority frameworks of activity in cooperation with all interested parties.

The programmes of priority investment and reform activities have been specified in accordance with Ministry of Culture priorities in the 2008-2011 period, as presented in the following tables:

Table 42. Investment activity programme

Name of project	Competent institution	Estimated value of project, in €	Sources of financing		Planned project start up time
			Own funds	External sources of financing	
1. Adaptation & remodelling of Modern Arts Museum, Belgrade	MC	6,470,000	RSD 58,719,936 (NIP)		2007
2. Adaptation of the Science & Engineering Museum	MC	4,700,000	RSD 9,187,716 (NIP)		2006
3. Remodelling & expansion of the National Museum, Belgrade	MC	24,054,800	RSD 6,513,316 (NIP)	RSD 12,000,000 (Levantis Foundation)	2006
4. Remodelling of the Yugoslav Film Library building	MC	5.000,000	RSD 63,711,739 (NIP)		2006
5. Construction of the Yugoslav Film Library film storage facility	MC	5,500,000	RSD 435,370,000 (NIP)		2006
6. Repair of the Archives of Serbia building in Zeleznik	MC	1,370,000	RSD 3,601,676 (NIP)		2006
7. Centuries of Bac	MC & Vohvodina Provincial Secretariat of Education & Culture	1,500,000		€ 60,000 (Sicilian Municipalities Union – 2007) € 5.000 (EC)	2008

8. Establishment of of the Belgrade Philharmonic Orchestra digital sound studio	MC	400,000			2009
9. Remodelling of the user section of the National Library of Serbia, with revamping & installation of supporting services	MC	4,000,000	RSD 109,852,807 (RS Budget)		2006
10. Remodelling of the History Museum	MC	3,000,000	RSD 3,127,000 (RS Budget)		2006

Table 43. Programme of reform projects

Name of project	Competent institution	Estimated value of project	Source of financing		Planned project start up time
			Own funds	External sources of financing	
1. Media literacy	MC in cooperation with other competent ministries	1,450,000			2010
2. Stepping up the institutional capacity for implementation of EU regulations & standards in the field of media (TWINNING)	MC in cooperation with other competent ministries & bodies	1,200,000			2010
3. Press Council	MC	280,000	3,000,000 (RS Budget)		2009
4. Support to the media in the field of European integrations	MC	2,750,000		IPA 2008 (€ 3,000,000)	2009
5. RTB Digital News Project	MC	4,500,000			2009
6. Enhancement of institutional capacity & staff potential for management in the field of culture	MC	850,000		2,000,000 (RS Budget)	2009
7. Project of transboundary mobility of artists in South Eastern Europe	MC	600,000			2010
8. Development of facilities for informatisation on cultural heritage	MC	5,000,000	RSD 22,000,000 (RS Budget)		2008
9. Music Information Centre of Serbia	MC	250,000	RSD 6,000,000 (RS Budget)		2009

Table 44. Unified table of investment programmes and reform projects

Name of project	Competent institution	Estimated value of project	Sources of financing		Planned project starting up time
			Own funds	External sources of financing	
1. Pilot project of development of the municipalities of Despotovac & Zagubica	MC, municipalities of Despotovac & Zagubica	6,000,000	3,000,000 (RS Budget)	€ 50,000 (Council of Europe – reserved for 2008-09); SEE – reserved € 100,000 for 2009-2011; € 1,500,000 extended by decision of European Parliament for the Regional Industrial Heritage Centre subproject	2009
2. Danube Cultural Corridor	MC	7,000,000	500,000 (RS Budget)		2009
3. Schlos _ Eco-Etno Museum, Golubinci	MC	6,000,000	RSD 3,707,971 (NIP)		2006
4. Pilot project for the use of cultural heritage in the expansion of rural tourism	MC	3,000,000		Potentially UNDP	2009
5. RADIO BELGRADE ARCHIVES digitalisation project	MC	3,250,000	€ 1,250,000		2009

3.10 Public Health

Strategic and development framework

The public health system reforms are going to be continued also in the 2009-2011 period in line with the strategic guidelines defined in the following documents: *Public Health Policy in Serbia* (adopted by the Government of the Republic of Serbia, ref. no.500-1022/2002, 1 February 2002), *The Vision of Health Care in Serbia* and *The Strategy and the Action Plan for the Health Care Reforms in the Republic of Serbia*.

The main directives of the public health policy, set out in the Memorandum on the 2009 Budget and Fiscal Policy, together with projections for 2010 and 2011, are as follows:

- Advancement of health care in terms of improved health of the vulnerable population groups and persons suffering from diseases of major socio-economic importance;
- Advancement of services in the field of public health;
- Improvement of the quality of health care by improving the conditions for work and treatment, as well as the quality of the services rendered;
- Better operation of the public health system resulting from uniform provision of health care services throughout Serbia and support given to the non-governmental organisations operating in the field of public health;
- Advancement of the regulations for the private health care sector and improvement of the services provided by it.

For the purpose of achieving the mentioned goals, the following programmes have been planned to be adopted: health care for all population groups and the endangered ones in particular; health care in the case of diseases of special social and economic importance; intensified activity on the expansion of blood donation; upgrading the quality of work in the public health system: and putting the health care system in order.

The public health system reforms mean the introduction of a new system of funding from the obligatory health insurance, which will be based on the model of capitation in primary health care as a system of payment for the services provided according to the number of patients, model of diagnostically related groups in hospitals for hospitalisation of short duration and the new model of payment for the highest level services in the tertiary health care segment.

The health insurance reforms also mean the continued introduction of various forms of optional health insurance, whereby conditions will be created for disburdening the obligatory health insurance system.

The reforms in the field of medicines and medical aids and establishment of standards in keeping with the EU directives will create the conditions for the production and distribution of medicines and medical aids to be carried out in Serbia up to the highest standards guaranteeing quality, safety and effectiveness of medicines and medical aids, so that good health care services will be provided.

The following are the main strategic documents of the Ministry of Health:

1. HIV/AIDS Combating Strategy, adopted in 2005
2. Strategy of Developing the Protection of Health of Young People, adopted at the Government session of 9 November 2007
3. Tobacco Control Strategy, adopted at the Government session of 18 January 2007
4. Strategy of Developing the Protection of Mental Health, adopted at the Government session of 18 January 2007
5. National Cervical Cancer Prevention Programme, adopted at the Government session of 23 May 2008
6. Strategy of Continuous Improvement of the Quality of Health Care Services and Safety of Patients, adopted at the Government session of 13 February 2009
7. Narcotics Combating Strategy for the 2009-2013 Period, adopted at the Government session of 26 February 2009
8. National Programme of Breast Cancer Prevention, adopted at the Government session of 26 February 2009
9. National Programme of Colon Cancer Prevention, adopted at the Government session of 12 March 2009
10. National Programme of the Preventing Health Care of Children with Psycho-physiological Disorders and Vocal Pathology, adopted at the Government session of 26 February 2009

11. National Programme of Early Detection and Prevention of Type II Diabetes, adopted at the Government session of 5 March 2009
12. Strategy of Palliative Care, adopted on the Government session of 5 March 2009
13. Public Health Strategy, adopted on the Government session on 26 March 2009
14. Strategy for Prevention and Control of Chronical Non-infectious Diseases, adopted on the Government session on 26 March 2009
15. National Program for the Preventive Dental Health Care, adopted on the Government session on 26 March 2009
16. National program for the Women, Child and Youth health care, adopted on the Government session on 9 April 2009 "Serbia Against cancer", adopted on the Government session on 13 March 2009

Institutional framework

The latest Public Health Law provided for the establishment of the following institutions:

- Serbian Chamber of Physicians, Serbian Chamber of Pharmacists, Serbian Chamber of Biochemists and Serbian Chamber of Female and Male Nurses, all established in 2007
- Agency for the Accreditation of Health Care Establishments of Serbia, for the performance of professional, regulatory and development-related duties in the procedure of accreditation of health care establishments, established in 2008.

Legislative framework

The Medicines and Medical Aids Law was adopted in mid-2004 (published in the RS Official Gazette, Nos. 84/04 and 85/05 and in late 2005, a set of systemic laws dealing with public health was adopted, including: Health Care Law (RS Official Gazette, No. 107/05), Health Insurance Law (RS Official Gazette, Nos. 107/05, 109/05, 106/06) and Law on the Chamber of Health Care Workers (RS Official Gazette, No. 107/05). The Regulation on the Health Care Establishments Network and Rules about the Conditions for and Internal Organisation of Health Care Establishments were adopted in May 2006. They include the plan of the health care establishment network, conditions for the provision of care in the health care establishments and other forms health services, as well as the internal organisation of health care establishments, etc.

The Health Insurance Law of 2005 identifies the population groups exposed to higher risk of disease, the persons needing health care in connection with the prevention, curbing, early detection and treatment of the diseases of greater socio-medical importance and the persons in the category of the socially endangered people. Their health care is paid for from the Republic of Serbia Budget on the basis of the contributions for obligatory medical insurance (the Republic of Serbia has become for the first time the payer of the obligatory health insurance contributions, whereby these persons have acquired the status of the obligatorily insured persons, so that in terms of rights and duties, they are equal with other categories of the insured in Serbia).

The Rules of the Way of and Procedure for Exercising the Health Insurance Rights (RS Official Gazette, Nos. 107/05 and 109/05) and the Rules about the Contents and Scope of Health Care Based on Obligatory Health Insurance (RS Official Gazette, Nos. 107/05 and 109/05) provide the way of and procedure for exercising the health insurance rights, as well as the contents and scope of the health insurance rights. The risen efficiency in the provision of health care services is also owed to the rationalisation of the number of the employed in the public health system. In the following period work will be continued on the Strategy of Human Resource Development in the Public Health Sector.

The health insurance reforms also include the continued introduction of the various forms of optional health insurance, whereby conditions will be created for disburdening the obligatory health insurance system. The Regulation on the Optional Health Insurance (RS Official Gazette, No.108/08) sets out the kinds of optional health insurance and the conditions for and way of organising and implementing the optional health insurance.

Working group for amandment of the Law on Population Protection from Infectious Diseases and amandment of the Rulebook on Notification of Infectious Diseases, Imunization and Obligatory Health Visitation has been established and started with work, in line with the International Health Rulebook of the WHO (IHR). Also, draft Law on Medicines and Medical Devices and draft Law on Narcotic Drugs have been produced.

The Ministry of Health has drawn up the working version of the Draft Organ Transplantation Law, Draft Cell and Tissue Transplantation Law, Draft Law on Biomedically Assisted Insemination and Draft

Blood Transfusion Law, which are now in the public debate phase. The Working Group for Modification of the Law on the Protection of Population against Communicable Diseases in accordance with the World Health Organisation International Health Regulations (IHR) and modification of the Rules of Reporting Communicable Diseases, Immunisation and Obligatory Medical Examinations, has been formed and its proceedings are under way. The Law Amending the Medicines and Medical Aids Law and the Narcotics Law have been drafted.

In 2008, action was taken in connection with reorganisation and status-related transformation of the health care establishments.

Table 45. Most important projects in the field of health to date (2000-2007):

Name of programme/project	Value	Source of financing	Implementation period
1. Delivering local services on the local level	32 mil euros, 13 mil euros for the health component	World Bank	2009-2012
2. Development of Public health in Serbia	€ 17.4 mln	World Bank	2003-2009
3. Twinning project with the Republic of Serbia Medicines Agency	€ 1.5 mln	EU	2006-2008
4. Technical assistance in the reorganisation and construction of facilities of the Republic Health Insurance Office	€ 3.25 mln	EU	2005-2008
5. Energy efficiency in Serbia	US\$ 21+30 mln	World Bank	2004-2012
6. Reconstruction of four clinical centres in Serbia	€ 150 mln + € 50 mln	European Investment Bank	2006-2011
7. Improvement of the health of young people in the Balkans	C\$ 3.5 mln	Canadian Agency for International Development	2006-2009
8. Primary health care policy in the Balkans	C\$ 3.5 mln	Canadian Agency for International Development	2006-2009
9. Development of the Public Health Information System for basic health care & pharmaceutical services	€ 3,3 mln	EU	2004.-2007
10. Support to the advancement of medical waste management	€ 7.17 mln	EU	2007-2009
11. Development of facilities for tertiary health care	€ 2.5 mln	EU	2006-2009
12. Improvement of the public health laboratory services	€ 5.5 mln	EU	2005-2008
13. Improvement of preventive health care services	€ 3.8 mln	EY	2004-2007
14. Capacity building of the MoH capacities	€ 2.46 mln	EU	2004-2006
15. TBC control by implementing the strategy of directly observed therapy	US\$ 4,087,979 mln	Global Fund	2004-2009

Name of programme/project	Value	Source of financing	Implementation period
16. Enhancement of national response to HIV/AIDS by decentralising the key areas of the provision of services	€ 4,6 mln for phase 1 and € 9 mln for phase 2	Global Fund	2007-2012
17. Reconstruction of emergency medical assistance in Serbia	€10 mln	EU	2009-2010
18. Support of the Agency for accreditation of health institutions	€1.5 mln	EU	2009-2010
19. Implementation of the Strategy for fight against drugs	€1.5 mln	EU	2009-2010
20. Urgent reconstruction of health care establishments in Serbia (20 hospitals + Torlak)	€ 50 mln	European Investment Bank	2004-2008

Medium-term goals of the Ministry of Health for the 2006-2010 period (as set out in the 2007 annual operation plan):

1. By 2010, conditions created for the improvement of health care for endangered population groups and persons suffering from diseases of greater socio-economic importance.
2. By 2010, conditions created for advancement of the public health services.
3. By 2010, provisions made for continuous improvement of the public health services by improving the conditions for work and treatment, as well as the quality of the services provided.
4. By 2010, conditions created for better operation of the public health system thanks to the uniform provision of health care services in the territory of Serbia and support given to the non-governmental organisations operating in the field of public health.
5. By 2010, stepped up capacity of the Ministry of Health for the conduct of reforms and operation of inspection service (2007 AOP narrative).

Priorities defined in the Poverty Reduction Strategy

The objective of the Poverty Reduction Strategy in the health sector is to improve the public health, and specially to eliminate inequality in health sector by improving the health of vulnerable groups. This will be achieved by developing the health programs adjusted to sensitive groups and more equal geographical reallocation of resources in the health sector.

On 7 April 2006, the Government of the Republic of Serbia adopted the **Plan of Implementation of the European Partnership Priorities**. This document includes the duties to be performed by the Ministry of Health independently or in cooperation with other ministries, including:

1. *Human rights and protection of minorities*
Carrying on with deinstitutionalisation; upgrading of support services for living in community and support to dependent persons, in the field of mental health, too.
2. *Social and economic rights*
Stepping up the protection of the rights of women and children
3. *Economic criteria*
Carrying on with health insurance reforms.
Several activities have been defined in the scope of this priority, including:
 - Reduction of public spending and harmonisation of the obligatory health insurance rights with the government's financial capacity;
 - Introduction and implementation of optional health insurance;

- Making international agreements on social security.

4. *European standards*

Stepping up the capacity for struggle against narcotics trafficking and starting to implement the national strategy for struggle against narcotics in accordance with the EU strategy of struggle against narcotics.

- Drafting the Law on the Production and Trafficking of Narcotics
- Drafting the supporting regulations to the Precursor Law
- Adopting the corresponding strategies
- Developing administrative facilities (establishing the department for narcotics and precursors, establishing the Republic office for narcotics control or a similar body in the framework of the Serbian Government)

Full implementation of the national strategy for struggle against the abuse of narcotics.

Developing adequate administrative structures and facilities in the field of health care.

As for the duty to “advance veterinary, sanitary and phytosanitary laboratories and inspection and state border control”, the Ministry of Health has a duty defined as adoption of a law.

As for the duty to “upgrade the sanitary and phytosanitary legislation and control in the field of food safety”, the Ministry of Health has a duty relating to the adoption of a law, as well as the Food Safety Strategy.

The Government of the Republic of Serbia has established the Coordinating Body Expert Group and 35 subgroups of the Expert Group which are responsible for harmonisation of the national legislation with the EU *acquis communautaire*. This body has drafted the National Integration Programme (NIP), which was adopted by the Government of the Republic of Serbia in October 2008.

The following priorities of the Ministry of Health of the Republic of Serbia are set out in that document:

- Law on the Transplantation of Organs (subjected to public debate)
- Law on the Transplantation of Cells and Tissues (subjected to public debate)
- Law on the Treatment of Sterility and Biomedically Assisted Insemination Procedures
- Public Health Law
- Law Amending the Law on Medicines and Medical Aids
- Public Health Strategy
- Strategy of procuring sufficient quantities of safe blood and blood-related products
- Strategy of controlling and preventing mass and chronic non-communicable diseases
- Strategy of the struggle against narcotics – adopted on 26 February 2009
- Regulation on the prevention of malignant breast tumors
- Regulation on the prevention of malignant colon tumours
- Regulation on the prevention of malignant cervical tumours – adopted in May 2008
- Regulation on the oncological health care – Regulation on the “Serbia against Cancer” national programme
- Regulation on the preventive dental care
- Regulation on the health care of children and women in connection with motherhood
- Regulation on the preventive health care of children with psycho-physiological disorders and vocal pathology – adopted on 5 March 2009
- Regulation on the prevention of type 2 diabetes on the primary health care level – adopted on 5 March 2009-09-18

According to the standing EU regulations, health care and public health systems are the responsibility of the EU member countries. They decide by themselves on the way of managing their public health systems, the amount of money to be spent on the health and health care of their citizens, what medicines are to be issued to patients and what medical technology is to be used in diagnosing and treatment. However, the communicative diseases, diseases caused by smoking, unsuitable nutrition and other risky behaviour (alcohol, narcotics) pass over the borders of these countries and are of common concern to the EU member countries. The common market imposes the joint responsibility for the safety of medicines, blood and blood-related products, as well as the tissues and organs used in treatment and

transplantation (National Strategy of Serbia for Accession of Serbia and Montenegro to the EU, June 2005).

In view of the White Paper – the fundamental principles of the action to be taken by the European Commission in the 2008-2013 period, which is the latest strategic approach made by the EU – some short-term and long-term priorities of the Ministry of Health are going to be harmonised with this document, depending on the progress we make in carrying out the activities planned so far.

Some of these elements have already been incorporated in our strategic priorities:

- Further work on the reduction of inequalities in the field of health
- Promotion of health education programmes for various age groups
- Promotion of the measures for the health of elderly people and workers, as well as the measures of further improvement of the health of children and youth
- Development and implementation of measures to do with smoking, nutrition, mental health and other socio-economic factors of the environment affecting health
- New Guide for Cancer Screening and Communication on European Action in the Field of Rare Diseases
- Giving support to the implementation of e-health in the public health systems

The following priorities for 2008/09 are laid down in the Two-year Agreement on Cooperation between the Republic of Serbia and the World Health Organisation (WHO):

Activities in the field of public health for the purpose of preventing and controlling mass non-communicable diseases.

1. The National Strategy for Reducing the Burden from Diseases, including the Non-communicable Diseases, Mental Disorders, Injuries and Violence, has been worked out.
2. Raising the awareness of the general public with the means of health, nutrition and food safety promoting programmes.

Public health planning and development personnel

1. Stepping up the capacity in the public health system for improvement of the quality of education, training and regulation of the health care workers

Expansion of the public health system

1. Stepping up the national capacity for the management of financial policy in the public health sector and reforms
2. Strengthening the information system and facilities of the country to produce and use valid statistical data for the monitoring and making of the public health policies
3. Consolidating the public health system in the occupational medicine and environmental protection segments
4. Increasing the capacity of the primary health care segment for dealing with inequalities in health, particularly for the vulnerable groups

Increasing the capacity for responding in crisis situations

1. Increasing the capacity of the health care system for efficient management of crisis situations
2. Stepping up the national capacity for the monitoring of and responding to communicable diseases, including also the stepping up of the key capacities for efficient implementation of the International Health (Sanitary) Rules
3. Enhancing the system of immunisation in order to provide equal coverage of everybody with vaccines of reliable quality, as well as integration of all other basic interventions relating to children's health and immunisation

In keeping with the Two-year Cooperation Agreement, the Ministry of Health is planning to take action in connection with the following matters:

- Prevention of improper nutrition and obesity of children and youth
- Improvement of the sexual and reproductive health of the population
- Early detection and treatment of acute brain strokes and subarachnoidal haemorrhage
- Stepping up the readiness of the public health system for emergencies
- Improvement of the health of workers on the basis of a strategic approach to increasing the capacity of the occupational medicine service
- Planning the activities in connection with the Mental Health Development Promotion Strategy

- Activities in connection with the drafting of the Action Plan for the Environment and Health

The Ministry of Health has also specified the other activities to be carried out in the period ending in 2011, for which the external financing sources have been secured or are to be secured, for the purpose of achieving the Ministry's mentioned goals and conducting the public health reforms in Serbia. These activities are presented in the following tables:

Table 46. Programme of reform-related projects for the 2009-2011 period stating the projects which are under way and being continued, proposal projects included in the ISDACON project base, as well as the priority programmes and projects referred to in the 2009 financial plan

Name of project	Competent institution	Estimated value of project, in €	Sources of financing		Planned project implementation start up time
			Oen funds (in RSD)	External sources of financing (in €)	
1. TBC control by implementing the direct observed therapy strategy	MH	US\$ 4,087,979 US\$ 4,000,000 2 nd round	500,000	US\$ 4,087,979 US\$ 4,000,000 2nd round	December 2009
2. Stepping up the national response to HIV/AIDS	MH	4,654,656 for phase 1 9,000,000 for phase 2	1,700,000 for voluntary and confidential HIV testing	4,654,656 for phase 1 9,000,000 for phase 2	2009
3. Implementation of the National Strategy for Struggle against Narcotics	MH	1,500,000	14,500,000	IPA 2007 1,500,000	2009
4. Implementation of the National Strategy for Struggle against Narcotics - reduced supply	MH	4,000,000	-----	IPA proposal 2009	2011
5. Support to the Agency for Accreditation of Health Care Institutions	MH	1,500,000	34,000,000	IPA 2007 1,500,000	2009
6. Implementation of national programmes for breast, cervical and colorectal cancer screening	MH	6,600,000	8,500,000 (screenings & implem. of the Serbia against Cancer national programme	Project proposal for IPA 2009 on List A in concluding phase of formulation of the Fiche Project	2009
7. Development of the service for palliative treatment in Serbia	MH	4,400,000	-----	Project proposal for IPA 2009	2010
8. Medical waste management	MH	6,000,000	7,200,000	IPA 2008 6,000,000	2009-2010
9. Stepping up the medical inspection capacity	MH	3,000,000	-----	-----	2010-11

Name of project	Competent institution	Estimated value of project, in €	Sources of financing		Planned project implementation start up time
			Oen funds (in RSD)	External sources of financing (in €)	
10. Project of the provision of advanced services on local level	MH	World Bank 13,000,000 loan for health care	-----	13,000,000	2009
11.Implementation of hospital information system	MH	7,500,000	-----	IPA 2008 7,000,000	2009-2010
12.Improvement of the health of women in menopause	MH City Public Health Office	25,000	1,500,000	-----	2009
13.Stepping up the capacity of MH & Biomedical Administration in the field of organ transplantation, cells and transfusion	MH	Estimate of necessary funds is under way	-----	-----	2010
14.Stepping up the capacity of MH & Biomedical Administration in the field of biomedically assisted insemination	MH	Estimate of necessary funds under way	-----	-----	2010
15.Implementation of the law on the treatment of sterility on the basis of biomedically assisted insemination	MH	Estimate of necessary funds under way	-----	-----	2010
16.Creation of conditions for transfusion & transplantation of organs with adults	MH	Estimate of necessary funds under way	17,500,000	-----	2009
17.Implementation of the Action Plan for Improvement of Roma Health	MH	Estimate of necessary funds under way	25,000,000	-----	Under way
18.Prevention of suicide & violence among young people	MH Mental Health Institute, Belgrade	Estimate of necessary funds under way	4,000,000	-----	2009
19.Prevention of child & youth obesity	MH Dr Milan Jovanovic Batut Public Health Institute	Estimate of necessary funds under way	2,000,000	-----	2009
20.Encouraging the activities towards popularising the donation of organs, tissues & cells for transplantation	MH	80,941	-----	-----	2010/11
21.Development of the national register of donors of marrow & monitoring the operation of the HLA typing laboratory	MH	809,820	-----	-----	2010

Name of project	Competent institution	Estimated value of project, in €	Sources of financing		Planned project implementation start up time
			Oen funds (in RSD)	External sources of financing (in €)	
22.Encouraging the activities towards popularising blood donorship	MH	Estimate of necessary funds under way	45,000,000	-----	2009
23.Reforms of the emergency service in Serbia (put in the table of capital projects in view of their investment component)	MH	Total value of project is 10,000,000 Reform component 1,000,000	-----	IPA 2007 10,000,000	2009
24.Implementation of the National Programme of Health Care for Women, Children & Youth	MH Dr Vukan Cupic Institute of Mother & Child Care	Estimate of necessary funds under way	-----	Besides the budgetary funds, additional funds will also be needed for implementation of programme in the 2009-2012 period	2010/11
25.Implementation of the Dental Care Programme	MH Preventive Stomatology Clinic	Estimate of necessary funds under way	2,000,000	Besides the budgetary funds, additional funds will also be required for implementation of programme in the 2009-2012 period	2009
26.Implementation of the Programme of Prevention of Type 2 Diabetes	MH Institute of Endocrinology, Diabetes and Metabolic Diseases, Clinic Centre of Serbia	Estimate of necessary funds under way	2,000,000	-----	2009
27.Implementation of the health care programme for children with psycho-physiological disorders & vocal pathology	MH Institute for Psycho-physiological Disorders & Vocal Pathology	-----	3,000,000	Besides the budgetary funds, also additional funds will be needed for implementation of the programme in the 2009-2012 period	2009
28.Drawing up the programme of improvement of the health of persons with disabilities and introduction of the register of such persons	MH	20,000	-----	-----	2010

Name of project	Competent institution	Estimated value of project, in €	Sources of financing		Planned project implementation start up time
			Oen funds (in RSD)	External sources of financing (in €)	
29.Drawing up & implementation of the programme of prevention and treatment of premature retinopathy	MH Institute of Neonatology	-----	6,100,000 for drawing up	Besides the budgetary funds, also additional funds will be needed for implementation of the programme in the 2009-2012 period	2009/2010
30.Implementation of the national programme of improvement of the health of elderly people	MH	-----	-----	-----	2010/11
31. Drawing up & implementation of the programme of prevention of injuries and taking care of traumatised and injured persons and introduction of the Trauma Register	MH Banjica Institute for Orthopedic-surgical Diseases	-----	2,000,000 for drawing up	Besides the budgetary funds, also additional funds will be needed for implementation of the programme in the 2009-2012 period	2009
32.Transplantation of mast cells of haematopoiesis in children in Serbia	MH	3,447,400	40,000,000	-----	2009
33.Hospital financial management	MH	200,000	-----	200,000 Japanese donation The arrival of a mission to evaluate the current situation is expected	2009/2010.
34.Formation of the register of injuries at work & register of occupational diseases	MH Dr Dragomir Karajovic Institute of Occupational Medicine and Radiological Protection	2,000,000	2,000,000 (implementation of public health programme in the function of the Institute of Occupational Medicine of Serbia)	-----	2009
35.Construction of facilities for and advancement of the system of monitoring & reporting health indicators in the environment	MH Public Health Institute of the Republic of Serbia	1,000,000	-----	-----	2011-12

Name of project	Competent institution	Estimated value of project, in €	Sources of financing		Planned project implementation start up time
			Own funds (in RSD)	External sources of financing (in €)	
36. Increasing the awareness of general public of the influence of the environment on the health of children	MH	100,000	-----	-----	2010
38. Development of the capacity for determining the basis for the Children Environment Action Plan	MH	108,600	-----	Norwegian donation 108,600	2009
39. Improvement of the capacity of the Dr Milan Jovanovic Batut Public Health Institute	MH	950,000	-----	-----	2010/11

Table 47. Programme of capital projects for the 2009-2011 period

Name of project	Competent institution	Estimated value of projects (in €)	Sources of financing		Planned project start up time
			Own funds	External sources of financing	
1. Procurement of mammographs for health care establishments in Serbia	MH	7,650,000	-----	-----	2010
2. Replacement of the equipment for the treatment of patients for radiotherapy in all radiotherapy centres in Serbia	MH	3,000,000 Equipment valued at 1,000,000 procured in 2008	-----	-----	2010/11
3. Emergency service reforms – Procurement of ambulances	MH	9,000,000 for ambulances – investment component	-----	IPA 2007 9,000,000	2009
4. Upgrading the hemodialysis centres and gynecological & pediatric services in Serbia	MH	6,000,000	-----	Italian donation 6,000,000	2008
5. Advancement of central sterilisation systems in health care establishments in Serbia	MH	8,000,000	-----	The project is awaiting the approval of a Spanish party	2009/2010

3.11 Science

Serbian science research sector is inadequately equipped for the achievement of competitive results on European level. The reason for that is in the first place the poor state of its equipment which got outdated over the last 15 years and became the biggest hindrance to successful science research activity. That is hindering the implementation of the integrated research policy in the Republic of Serbia, which is one of the medium-term economic priorities of the European Partnership, which is implemented on the basis of the framework research, development and demonstration activity programmes of the European Union. What is also impeded very much is the innovative activity and the economic

development based on it, which in turn is affecting the investing by industries in science research and achievement of the targeted EU Lisbon goal, i.e., investments in research and development amounting to 3% of the GDP. Since the government budget is burdened very much by the necessity to deal with many accumulated social, ecological and other problems arisen in the course of transition, international aid is becoming the chief source of funds for improvement of the state of affairs in this area by renovating the science research equipment and facilities.

The Science Research Law and the Innovation Law constitute the strategic legislative framework for the science research and innovation activity reforms which are to be conducted by rationalising the network of science research organisations, harmonising the national science research standards with the EU and other world standards, improving the condition for science research and innovative activities, stepping up the effectiveness of investments in these activities and increasing the applicability of the science research and innovation results in industries. Research and development will play the key role of the driving force of the overall economic, social and cultural changes in the development of a society based on knowledge. In view of the fact that scientific results are directly associated with and proportionate to the overall development of society, the conditions and environment are going to be created for science research, together with higher education, to become the chief agents of economic and social development.

The Ministry of Science and Environmental Protection started up on 1 January 2006 a new science research cycle (2006-2010) encompassing the following: monitoring the established measurable criteria for evaluation of the researchers' science research competences, making studies of the efficiency of application of the science research results in industries, effective engagement of all available science research resources and young researchers in particular, checking on the effective use of budgetary funds in science research and innovative activity, improving the conditions for science research (equipment of the science research organisations, financial status of researchers, etc.), expansion of international scientific and technological cooperation and increasing the GDP allocations to science research and innovation activities. As for international cooperation, Serbia has acceded to the 7th EU Framework Research and Development Programme (2007-2013) and it needs donations for national participation in the Programme, with particular reference to the establishment of the Bureau for Assistance to Researchers. Special attention will be devoted to the multilateral programmes of the developed European countries for South Eastern Europe and Western Balkans. By their nature, the problems to do with protection against ionising radiation and nuclear safety are inter-ministerial, meaning that they are to be dealt with by the ministries responsible for science, environmental protection public health, interior affairs and defence. Since the Republic of Serbia is financially incapable of satisfying to a sufficient extent the requirements for protection against ionising radiation and nuclear safety, this priority, too, should be included in the programme of the areas needing international aid. The international aid to be received should be allocated to the implementation of the new Law on the Protection against Ionising Radiation and Nuclear Safety, as well as to the establishment of the Agency for Protection against Ionising Radiation and Nuclear Safety as an independent regulatory body in this area. The provisions of international conventions, recommendations of the International Agency for Atomic Energy and EU directives will be taken into account in the new law and regulations.

The key problem of nuclear safety and security in Serbia will carry on being that to do with the spent nuclear fuel in the research reactor of the Vinca Institute of Nuclear Sciences. The International Atomic Energy Agency (IAEA) is involved in the project of repatriation of that fuel from Vinca to the Russian Federation and this project is the biggest active venture of the kind being implemented by the IAEA in the scope of its Programme of Technical Aid to Member-countries. The IAEA, Vinca Institute and a consortium of three Russian companies have signed a contract on the repacking and transport of that fuel to Russia. In the third phase, starting from the receipt of that fuel in Russia, it will be necessary to raise US\$ 22.5 million for its re-processing. Since 20% of that sum (about US\$ 5 million) will be provided by the USA Department of Energy, the remainder (approx. US\$ 20 million) is expected to be covered by donors.

The innovation sector is in its early stage of development in the Republic of Serbia and like in many other areas, it would be necessary to introduce, through the proposed projects, development and innovation programmes in small and medium enterprise, as well as encourage techno-entrepreneurship by establishing innovation centres and technology parks.

An important part of the institutional reforms in the field of science is the making of standardised documents in the operating procedures of the Ministry of Science and Technological Development as a part of the government administration reforms. For the sake of better organisation of operating processes, it would be necessary to introduce the standardisation of documents, which is the key factor of success in the application of information and communication technologies in the more complex systems. In view of the fact that e-management is a very complex and distributed system, the implementation of standards is the key factor of its successful development and introduction.

In view of the fact that modern socio-economic development is based in the first place on the application of the results of science research and innovative activities in industries, it would be necessary

to take such activities as the chief resources of development. In that context, it would be necessary to increase investments in the expansion of the science research and innovative system from the existing 0.3% of the GDP to 1.0% in the future. The achievement of this goal will not be possible without big international aid, especially in view of the achievement of the EU Lisbon goal of 3% of the GDP being spent on research and development. The following table includes the priority projects and programmes identified by the Ministry of Science and Technological Development, which should contribute to the achievement of the above mentioned goals in the field of science.

Table 48. Priority reform projects and programmes in the field of science in the 2009-2011 period

Name of project	Competent institution	Estimated value of project (in €)	Sources of financing		Planned project start up time
			Own funds	External sources of financing	
1. Projects in cooperation with International Atomic Energy Agency	Ministry of Science & Technological Development	30,000,000	10,000,000	IAEA, EU, USA	2010
2. Investments in capital equipment for science research	Ministry of Science & Technological Development	20,000,000			2010
3. Realisation & commercialisation of best innovations	Ministry of Science & Technological Development	2,500,000	1,000,000		2009-2010

In addition to the mentioned projects and programmes to formulate, it would be necessary to formulate in cooperation with the Ministry of Science and Technological Development, the projects and programmes in the following areas:

- Restoration of the research and development infrastructure and equipping of science and technology parks
- Protection against ionising radiation, nuclear safety and security
- Making studies of the efficiency of application of the science research results in industries
- Development of scientific databases for the purpose of obtaining relevant information for the advancement of science research
- Formation of unified registers of science research organisations, scientific staff, science research equipment, etc.
- Systematised approach to the selection, development and implementation of standards in all subsystems of the Ministry of Science and Technological Development, which should be a part of the e-management system as a whole

3.12 Environmental Protection

The Government started up the reforms in the field of environmental protection with the drawing up and adoption of the National Waste Management Strategy with the Programme of Approaching the EU in June 2003, for a five-year period. The Strategy has started to be revised.

The Government has adopted the National Strategy of Sustainable Development for the 2008-2017 Period (RS Official Gazette, No. 57/08) and the action plan for its implementation is being drafted at present.

In 2005, the Government adopted the Energy Source Development Strategy of the Republic of Serbia (SM Official Gazette, No. 44/2005) for the period ending in 2015. The Programme of Implementation of the Energy Source Development Strategy for the 2007-2012 Period was adopted in January 2007.

According to the Environmental Protection Law (RS Official Gazette, No. 134/04), it is necessary to adopt the National Strategy of Sustainable Use of Natural Resources and Assets (Article 12), the drafting of which was started in 2006 and discontinued in June 2007, and the National Programme of Environmental Protection (Article 64), the draft of which is being revised at present. The deadline for adoption of these two strategic documents, the validity of which should run for at least 10 years, was December 2005 (Article 123). The Strategy with Action Plan for the Protection of Biodiversity and the Fisheries Strategy are being drawn up. The Strategy of the Introduction of Cleaner Production in the Republic of Serbia was adopted by the Government on 19 February 2009.

According to the Annual Operative Planning (AOP) document for 2008 with projections for 2009 and 2010, one of the priorities of the ministry responsible for environmental protection is as follows: "By the end of the year 2010, upgraded implementation of the environmental protection policy in the Republic of Serbia resulting from the adoption and implementation of strategic and other documents and establishment of a system for including the environmental protection policy in other sectoral policies" and the basic programme that needs to be adopted as soon as possible for the purpose of achieving that medium-term goal is the "Programme of drawing up, implementing and monitoring the strategic documents provided by the Environmental Protection Law and parts of other strategic sectoral documents dealing with environmental protection."

The 2009-2011 period should include practical, financially acceptable reforms that can be conducted immediately. This goes in the first place for the regulatory reforms, the purpose of which is to do with harmonisation with the EU *acquis communautaire* dealing with the environment. This means the upgrading of the legislative frame, development of sectoral strategies and investment plans, advancement of the monitoring system and enhancement of public awareness.

The Ministry of the Environment and Spatial Planning was established under the Ministries Law (RS Official Gazette, No. 65/08) and its competences are set out in Article 20 of that law.

Article 90 of the Environmental Protection Law (RS Official Gazette, No. 135/04) has rounded off the institutional framework by the provision calling for the establishment and enhancement of the **Environmental Protection Fund**, the main purpose of which is to raise the funds for improvement of the environment in the Republic of Serbia, as well as to see to their authorised and systemic investment in the environmental protection projects in keeping with the adopted national and international strategies.

The Environmental Protection Agency was established under the Law Amending the Ministries Law (RS Official Gazette, No.84/2004), as a body in the framework of the Ministry of Science and Environmental Protection having the status of a legal entity and dealing with matters to do with development, adjustment and management of the national environmental protection information system (monitoring the status of the environmental protection factors, register of polluters, etc.); collection and unification of environmental data and their processing and making reports on the state of the environment and implementation of the environmental protection policy; development of the procedures for processing the data on the environment and their appraisal; keeping the data on the best accessible techniques and practices and their application in the field of environmental protection; cooperation with the European Environmental Protection Agency (EEA) and the European Information and Observation Network (IONET), as well as other matters provided by law.

The Nature Protection Institute was established under the Decree of the Government of the Republic of Serbia on 30 April 1948 as the Institute for Protection and Scientific Study of Natural Rarities of the People's Republic of Serbia. A year after adoption of the Environmental Protection Law (1991), it was turned into the establishment of the present name vested with the duty to protect and upgrade the natural heritage of Serbia.

The Planning and Construction Law (RS Official Gazette, No. 47/03) provided the legislative grounds for establishment of the **Republic Spatial Planning Agency**. It was established for the purpose of creating the conditions for efficient implementation and advancement of the spatial planning and development policy in the Republic of Serbia.

The health care institutes monitor the quality of environmental air in the local urban agglomeration network and the quality of surface waters flowing through urban communities, quality of drinking water and municipal noise.

Some competences in the field of environmental protection were transferred to the AP of Vojvodina in 2002 under the Law Establishing Certain Competences of the Autonomous Province (RS Official gazette, No. 6/02). The **Provincial Secretariat for Environmental Protection** was established under the Decision on Provincial Administration (APV Official Gazette, Nos. 10/92, 12/92, 2/95 and 3/02) in March 2002, as the first administrative body on the Province level competent for environmental protection.

Article 34 of the Ministries Law (RS Official gazette, No. 65/08) provides the competences of the **Republic Hydrometeorological Office of Serbia**, while the competences of the **Republic Geodetic Office** are provided by Article 35 of the Ministries Law (RS Official Gazette, No. 65/08).

Institutional competences should be clearly provided by the new regulations, so that the existing overlaps and inconsistencies could be dealt with.

The establishment of the **Agency for Protection against Ionising Radiation and Nuclear Security** and the **Chemicals Agency** is a future priority.

The legislative frame of relevance to environmental protection is made up of the following laws which were adopted in 2004:

- **The Law on the Strategic Appraisal of Impacts on the Environment** (RS Official Gazette, No. 135/04)
- **The Law on the Appraisal of Impacts on the Environment** (RS Official Gazette, No. 135/04)
- **The Law on Integrated Prevention and Control of Environmental Pollution** (RS Official Gazette, No. 135/04)

The other standing laws, as well as the regulations applied in the field of environmental protection, are as follows:

- **The Law on the Protection against Ionising Radiation** (FRY Official Gazette, No. 46/96)
- **The Waste Treatment Law** (RS Official Gazette, No 25/96, 26/96)
- **The Law on the Production and Marketing of Poisonous Substances** (FRY Official Gazette, No. 15/95, 28/96 and 37/02)
- **The Hazardous Substance Transport Law** (SFRY Official Gazette, No. 27/90, 45/90, 24/94, 28/96, 21/99 and 44/99)
- **The Drinking Water Fluorination Law** (RS Official Gazette, No. 35/94, 38/94 and 25/96)
- **The Inland Navigation Law** (SRS Official Gazette, No. 54/90 and RS Official Gazette, No. 53/93, 67/93, 48/94 and 101/2005)
- **The Law on the Hydrometeorological Matters of Concern to the Whole Country** (SFRY Official Gazette, No. 18/88 and 63/90)
- **The Agricultural Land Law** (RS Official Gazette, No. 49/92, 53/93, 67/93, 48/94, 48/95, 54/96 and 14/00)
- **The Geological Survey Law** (RS Official Gazette, No. 44/95 and 101/2005)
- **The National Parks Law** (RS Official Gazette, No. 39/93, 44/93, 53/93, 67/93, 48/94 and 101/05)
- **The Law Ratifying the Convention on the Preservation of European Wild Flora and Fauna and Natural Habitats** (RS Official Gazette, No. 102/07)
- **The Law on the Establishment and Classification of Mineral Raw Material Reserves and Presentation of the Geological Survey Data** (FRY Official Gazette, No. 12/98 and 13/98 and RS Official Gazette, No. 101/2005)
- **The Fisheries Law** (RS Official Gazette, No. 35/94, 38/94 and 101/05)
- **The Power Sources Law** (RS Official Gazette, No. 84/2004)

The following set of laws supplementing the legislative framework and regulating some areas of importance for environmental protection is in the assembly adoption procedure:

- The Draft Law amending the Environmental Protection Law
- The Draft Law amending the Law on the Evaluation of Impacts on the Environment
- The Draft Law on the Protection against Ionising Radiation and Nuclear Security
- The Draft Law on the Protection of Non-ionising Radiation
- The Draft Air Protection Law
- The Draft Waste Management Law
- The Draft Nature Protection Law
- The Draft Law on the Protection and Sustainable Use of the Fish Stock
- The Draft Chemicals Law
- The Draft Biocidal Products Law
- The Draft Packaging and Packaging Waste Law
- The Draft Law Ratifying the Convention on the Accessibility of Information, Participation of General Public in Decision-making and Right to Legal Protection in Environmental Issues
- The Draft Law Ratifying the Amendments to Annexe B of the Kyoto Protocol Attached to the United National Convention on Climate Change
- The Draft Law Prohibiting the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction
- The Draft Law Ratifying the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade

The ratified international agreements of importance for environmental protection are as follows:

- The Law Ratifying the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (FRY Official Gazette – International Agreements, No. 2/99)
- The Law Ratifying the Convention on the Assessment of Environmental Impacts in the Transboundary Context (RS Official Gazette – International Agreements, No. 102/07)
- The Law Ratifying the Convention on the Transboundary Impact on the Environment (RS Official Gazette, No. /08)
- The Law Ratifying the Vienna Convention on the Protection of the Ozone Layer, with Supplements I and II (SFRY Official Gazette – International Agreements, No. 1/90)
- The Montreal Amendment to the Vienna Convention on the Substances Damaging the Ozone Layer (SM Official gazette – International Agreements, No. 2/04)
- The Law Ratifying the Montreal Protocol on the Substances Damaging the Ozone Layer (SFRY Official Gazette – International Agreements, No. 16/90)
- The Law Ratifying the Amendment to the Montreal Protocol on the Substances Damaging the Ozone Layer (SM Official Gazette – International Agreements, No.24/04)
- The Law Ratifying the Convention on Long-range Transboundary Air Pollution (SFRY Official Gazette – International Agreements, No. 11/86)
- The Law Ratifying the Protocol to the Convention on Long-range Transboundary Air Pollution of 1979, about long-term funding of the programme of cooperation in the monitoring and assessment of the transboundary long-range transmission of air pollutants in Europe (EMEP)(SFRY Official Gazette – International Agreements, No. 2/87)
- The Law Ratifying the Convention on International Trade in Endangered Species of Wild Fauna and Flora (FRY Official Gazette – International Agreements, No. 11/2001)
- The Law Ratifying the Convention on Biological Diversity (FRY Official Gazette – International Agreements, No. 11/01)
- The Law Ratifying the Convention on Cooperation in the Protection and Sustainable Use of the River Danube (FRY Official Gazette – International Agreements, No. 2/2003)
- The Law Ratifying the Agreement on the Protection of Waters of the River Tisa and its Tributaries against Pollution (SFRY Official Gazette – International Agreements, No. 1/90)
- The Law Ratifying the United Framework Convention on Climate Change, with annexes (FRY Official Gazette – International Agreements, No. 2/97)
- The International Convention on the Protection of Birds ((SFRY Official Gazette, No. 6/73)
- The Convention on the Wetlands of International Importance, Particularly as the Habitat of Swamp Birds (SFRY Official Gazette – International Agreements, No. 9/77)
- The European Convention on the Protection of Animals during International Transport (FRY Official Gazette – International Agreements, No.1/92)

- The Regulation on the Agreement on Fisheries in the Danube Waters between the SFRY Government, People's Republic of Bulgaria, Rumanian People's Republic and Soviet Union (FPRY Official Gazette – International Agreements, No. 8/58)
- The Law ratifying the Convention on the Protection of the World Cultural and Natural Heritage (SFRY Official Gazette – International Agreements, No. 8/74)
- The Law Ratifying the Convention on the Protection of Cultural Goods in the Event of Armed Conflicts (SPRY Official Gazette – International Agreements, No 4/56)
- The Law Ratifying the Convention on the Prohibition and Prevention of Impermissible Import, Export and Transfer of the Title to Cultural Goods (SFRY Official Gazette – International Agreements, No. 50/73)
- The Law Ratifying the Vienna Convention on Civil Liability for Nuclear Damage (SFRY Official Gazette – International Agreements, No. 5/77)
- The Law Ratifying the Convention on the Establishment of the European Plant Protection Organisation (FPRY Official Gazette – International Agreements, No. 12/57)
- The Law Ratifying the International Convention on Plant Protection (FPRY Official Gazette – International Agreements, No. 7/55)
- The Law Ratifying the Convention on the Physical Protection of Nuclear Material (SFRY Official Gazette – International Agreements, No. 9/85)
- The Law ratifying the Convention on the Protection against the Hazard of Benzole Poisoning (SFRY Official Gazette – International Agreements, No. 16/76)
- The Law Ratifying the Convention Concerning the Prevention and Control of Occupational Risks Caused by Carcinogenic Substances and Agents (SFRY Official Gazette – International Agreements, No. 3/77)
- The Law Ratifying the Convention on Prohibition of the Advancement, Production and Stockpiling of Bacteriological (Biological and Toxic) Weapons and on their Destruction (SFRY Official Gazette – International Agreements, No. 43/74)
- The Law Ratifying the Convention on the Protection of Workers against Occupational Risks in the Work Environment caused by Air Pollution, Noise and Vibrations (SFRY Official Gazette – International Agreements, No. 14/82)
- The Law Ratifying the Convention on Occupational Safety, Health Care and Work Environment (SFRY Official Gazette – International Agreements, No. 7/87)
- The Law Ratifying the Convention on Safety in Using Asbestos (SFRY Official Gazette – International Agreements, No. 4/89)
- The Law Ratifying the Agreement between the Federal Government of the Federal Republic of Yugoslavia and the Government of the Russian Federation on Cooperation in the Field of Protection and Improvement of the Environment (FRY Official Gazette – International Agreements, No. 6/96)
- The Agreement on the Establishment of the Energy Union of South Eastern Europe (RS Official Gazette, No. 62/06)

In the past, important goals in the field of environmental protection were achieved thanks to international support and aid. The majority of implemented projects were to do with enhancement of human, material and technical capacities in the field of environmental protection, as well as pollution control and reduction. The most important projects in the 2000-2008 period are listed in the following table.

Table 49. Most important projects in the field of environmental protection in the 2000-2008 period

Name of project/programme	Source of financing	Implementation period
1. Expansion of the environmental protection legislation in the Republic of Serbia	Government of Finland € 2,000,000	2002 – 2005
2. Support to the expansion of legislation and development of institutions in the field of environmental protection in the Republic of Serbia	SDC, aid from German, Italian & Norwegian governments, OSCE, SIDA, WB, SC, EBRD	
3. Modification of the regulations with assessment of environmental impacts and their harmonisation with EU Directive 97/11	YUGOLEX and FINCONSULT	2001-2004
4. Presentation of the best waste incineration techniques	FIDECO, European Reconstruction Agency	DHV Project 2006-2007

Name of project/programme	Source of financing	Implementation period
5. Stepping up the management capacity in the field of environmental protection in the Environmental Protection Administration	€ 7,000,000 MSEK, SIDA	2004-2007
6. Reduction of the River Danube industrial pollution (DREPR) – Feasibility study	US\$ 350,000 World Bank-GEF	2003-2009
7. Development of the national strategy and action plan for the Greenhouse Gasses issue in Serbia	Japan Special Fund	2004-2005
8. Management of freshwater fishing resources – pilot study with complete regional approach	NOK 445,000 Kingdom of Norway	2004 – 2005
9. Support to the fisheries sectors of Serbia & Montenegro	€ 1,071,000 European Reconstruction Agency	2007 – 2008
10. Inventory of hazardous waste in the plants to which the Law on Integrated Prevention & Control of Environmental Pollution applies	CARDS 2003	2003- 2006
11. Feasibility study (SOFRECO) for hazardous waste, including medical waste management	CARDS 2003	2004
12. Biodiversity preservation strategy, Action plan and National report	US\$ 319,970 USD GEF/UNDP	Under way
13. National programme of final withdrawal from CFC – Multilateral Fund for Implementation of the Montreal Protocol	Multilateral Fund for Implmentation of the Montreal Protocol US\$ 2,600,000	2005-2007
14. Environmental Monitoring and Sustainable Change of Business of Some Industrial Complexes pilot project, Pancevo	Government of Italy US\$ 2,000,000	Under way
15. Updating the national profile for chemicals management, assessment of national capacity for strategic approach to international management of chemicals and staging a seminar on the establishment of national priorities for a strategic approach to chemicals management in Serbia	Fund for Strategic Approach to International Chemicals Management (SAICM) US\$ 20,000	August 2007-February 2009
16. Independent assessment of the national capacity for environmental protection management in Serbia	In kind US\$ 27,000 GEF /UNDP US\$ 128,583	Under way
17. Chemical risk management in Serbia 2007-2010 (Keml project)	Swedish Agency for Development & Cooperation (Sida) SEK 7,000,000	September 2008, to last for 2 years
18. Drawing up the plan of implementation of the Stockholm Convention on Persistent Organic Pollutants (POPs)	Global Environmental Fund GEF US\$ 386,876	December 2005 - April 2009
19. Institutional support to enhancement of the ISLE – Project No. 2070012 law	Kingdom of Norway	2007-2008
20. Inspection – Procurement of equipment for accident inspection	Government of Italy	Under way
21. Stepping up the capacity for implementation of the Law on Integrated Prevention & Control of Environmental Pollution in the Republic of Serbia	€ 135,000 G2G Programme of the Government of the Netherlands	Under way
22. Working out the national strategy for introduction of cleaner production	Total value € 57,000 Republic of Serbia Budget: € 17.100	Under way
23. Acquisition of the capability for preparing the first national communication of Serbia with the UN framework convention on climate change	In kind : US\$ 15,000 GEF /UNDP US\$ 283,500	Under way
24. Assistance in working out the strategy of including the Republic of Serbia in the mechanism of clean development in the scope of the Kyoto Protocol	€ 100,000 Kindom of Norway	Under way
25. Promotion of investing into energy efficiency & renewable energy sources by financing the activities for the reduction of carbon dioxide emission in the Republic of Serbia	UNDP	Project in final stage of completion
26. Action plan of education for environmental protection in the function of sustainable development	UNDP + Donors	Under way
27. Stepping up the administrative capacity for implementation of the air quality management system	€ 1,000,000 IPA 2007	Project to be started up in 2009 and is to last 2 years

Name of project/programme	Source of financing	Implementation period
28. UNECE – Netherlands project in the scope of the Convention on the Long-range Transboundary Air Pollution	Government of the Netherlands US\$ 135,000	2008 – 2010
29. Training of servicing technicians for handling the ozone layer damaging substances	Multilateral Fund for Implementation of the Montreal Protocol US\$ 1,219,200	2004-2009
30. Establishment of the Unit for management of the implementation of the Montreal Protocol	Multilateral Fund for Implementation of the Montreal Protocol US\$ 54,422	2004-2009
31. Establishment of the National Ozone Office, Institutional Enhancement Project, Phase II	Multilateral Fund for Implementation of the Montreal Protocol US\$ 93,848	2008-2009
32. Demonstration project of replacement of chillers in South Eastern Europe	Multilateral Fund for Implementation of the Montreal Protocol US\$ 75,000 per chiller	2008-2009
33. Demonstration project of putting carbon tetrachloride out of use in laboratories	Multilateral Fund for Implementation of the Montreal Protocol US\$ 40,000	2008-2009
34. Geological map of Serbia (by sheets) in the scale of 1:50 000 in vectoral form	Republic of Serbia Budget: RSD 100 million	Under way
35. Stepping up the administrative capacity for protected natural areas – Natura 2000	€ 1,000,000 IPA 2007	Project to be started up in 2009 and is to last 2 years
36. A million trees for Serbia	€ 4,600,000 Republic of Serbia Budget : RSD 1,270,000 National Investment Plan RSD 2,500,000	Started up in 2008
37. Technical assistance towards developing the strategy for joining the EU in the field of environmental protection	€ 2,000,000 IPA 2007	Project to be started up in 2009 and is to last 2 years
38. Control monitoring of surface and ground waters in the territory of the Republic of Serbia	Ministry of Environmental Protection and Spatial Planning Budget : RSD 4,550,910	2007-2008
39. Stepping up the capacity of the Western Balkans countries for dealing with environmental problems by hot-point remediation – Veliki Backi kanal Remediation	US\$ 42,380,000 Own funds: US\$ 2,000,000 UNDP participation: US\$ 2,118,840 + Donors	
40. Exploration, optimum use and sustainable management of groundwater sources of Serbia, subprojects: protection of groundwater sources and monitoring groundwater sources	Republic of Serbia Budget: RSD 8,800,000	Under way
41. Cadaster of landslides and unstable hillsides in the territory of Serbia	Republic of Serbia Budget: RSD 6,500,000	Under way
42. Development of the Geological Information System of Serbia	Republic of Serbia Budget: RSD 10,788,500	Under way
43. Programme: Development of the Geographical Information System of Serbia for environmental protection purposes for the needs of the Ministry and Agency, project coordinating role assumed by the Agency	Ministry of Environmental Protection 43,000,000,00 in 2007	2007-2009
44. Programme: Development of capacity for environmental monitoring Project: Automated Air Capacity Monitoring on Sites in Belgrade and Sremska Mitrovica	Republic of Serbia Budget: RSD 18,596,800 in 2007	2007
45. Programme: Facilities for environmental monitoring Project: Expansion of the network for allergenic pollen monitoring	RS Budget: RSD 1,200,000 in 2007	

Name of project/programme	Source of financing	Implementation period
46. Programme: Expansion of EIONET network for information and observation concerning the state of the environment in Serbia Project: Development of EIONET compatible network in Serbia	RSD 290,000 (for equipment in 2008)	Under way
47. Programme: Development of information system components Project: Web applications showing the surface water quality by the Serbian Water Quality Index method, as a component of the national environmental information system	RS Budget: RSD 20,000 in 2008	2008
48. Programme: Development of the information system components Project: Establishment of CHM portal of the convention on biological diversity	UNDP € 3,000 in 2008	2008-2009
49. Programme: Development of the information system components Project: Making the Geo-chemical Atlas of Mineral Waters in Serbia (in the scope of the Atlas of Europe)	Geological Institute of Serbia RSD 80,000 in 2008	2008-2009
50. Programme: Development of information system components Project: Danube Basin pedological profile database	European Commission, Joint Research Centre € 10,000 in 2008	2008
51. Programme: Development of the information system components Project: Making the geo-chemical atlas of agricultural land in Serbia (in the scope of the Atlas of Europe)	Environmental Protection Fund: RSD 531,000 Geological Institute of Serbia RSD 153,000 in 2008	2008-2009
52. Programme: Environmental monitoring facilities Project: Establishment of a state system for automated air quality monitoring in the Republic of Serbia	EU donation: € 2,400,000, realisation through EAP Environmental Protection Fund: RSD 17,240,000 for preparation of sites in 2008	2006-2009
53. Programme: Environmental monitoring facilities Project: Monitoring the operation of the existing automated air quality monitoring stations in Bor, Smederevo, Beocin and Belgrade	Republic of Serbia Budget RSD 300,000 in 2008	Under way
54. Programme: Environmental monitoring facilities Project: Expansion of the state network for detection of allergenic pollen in Serbia	Republic of Serbia Budget RSD 2,500,000 in 2008	2008-2009
55. Programme: Environmental monitoring facilities Project: Construction of National Reference Laboratory for Air and Soil	Republic of Serbia Budget RSD 12,000,000 in 2008	2008-2010
56. Programme: Environmental monitoring facilities Project: Serbian waters management as precondition for further economic development	Serbian Chamber of Commerce RSD 80,000 in 2008	Beginning: Dec 2007 End: Nov 2008
57. Programme: Establishment of database on environmental polluters Project: Stepping up the operators' capacity for emission reporting	Republic of Serbia Budget RSD 60,000 in 2008	Under way
58. Programme: Establishment of database on environmental polluters Project: Establishment of waste composition and assessment of its quantity for the purpose of working out the strategy of secondary raw material management in the scope of sustainable development of Serbia	Republic of Serbia Budget RSD 11,550,000 in 2008	2008
59. Development of a system of information and management in the event of chemical accidents	National Investment Plan RSD 1,500,000	Under way
60. Republic Centre for Oil Emulsion and Waste Oil Recycling	National Investment Plan RSD 13,200,000	Under way
61. Depleted uranium burden on the environment	National Investment Plan RSD 8,000,000	Under way
62. Let's clean up Serbia	National Investment Plan RSD 255,235,000	Under way

Name of project/programme	Source of financing	Implementation period
63. Construction and equipping of the Duboko waste landfill in Uzice	National Investment Plan RSD 18,302,178	Under way
64. Construction of Hapovo waste landfill in Zajecar	National Investment Plan RSD 29,000,000	Under way
65. Construction of a regional solid municipal waste landfill for the municipalities of Nova Varos, Priboj, Prijepolje and Sjenica	National Investment Plan RSD 6,854,432	Under way
66. Kalenic regional waste landfill with recycling centre	National Investment Plan RSD 47,529,000	Under way
67. Design of Vitiste regional waste landfill	National Investment Plan RSD 20,000,000	Under way
68. Secondary gas supply system of Pancevo	National Investment Plan RSD 17,877,943	Under way
69. Cleaning of the ground contaminated by depleted uranium in Reljane locality	400,000	Completed

In keeping with the most important measures for the promotion of development and preservation of the environment, priority has been given to the establishment of regulatory and economic mechanisms for implementation of the concept of sustainable economic development. This should follow indirectly the national priorities in the environmental protection policy in keeping with the goals and instruments laid down in the Draft National Environmental Protection Programme. Action plans should be made for the following matters, pursuant to the Environmental Protection Law: upgrading of spatial planning; protection of soil; protection of waters; protection of the air and atmosphere; protection of forests; protection of the ecosystem; protected natural assets; waste management; chemicals management; protection against ionising and non-ionising radiation; protection against accidents; protection against noise and vibrations; sustainable management of energy; development of information system; and expansion of science research and education.

Besides the mentioned regulatory reforms, it would also be necessary to work on the reduction of the pollution of soil, surface and groundwaters and air, particularly in the sectors of energy, industry and transport. To that end, investments should be channelled to the endangered localities and priority areas, such as air pollution from large industrial complexes and thermal power stations, treatment of effluents from big industries, treatment of municipal waste water, waste treatment and disposal, etc. It would be necessary to develop in the enterprise privatisation procedure the mechanisms for dealing with the problem of inherited pollution and damage inflicted on the environment. Such dealing must be based on the "polluter pays" principle. It would also be necessary to encourage competition and inclusion of the private sector in the provision of services, particularly in the waste and water management.

STRATEGIC DEVELOPMENTAL FRAMEWORK

The strategic developmental framework for all areas of the Republic of Serbia is set out in the following documents: European Partnership, Poverty Reduction Strategy, Budgetary Memorandum, Serbian Strategy for Accession of Serbia & Montenegro to the European Union and National Programme for Integration into the European Union (NPI).

According to the Environmental Protection Law, the strategic framework for the environment or systemic integrated protection of the environment and sustainable use of natural resources and assets will be established with the adoption of the National Strategy of Sustainable Use of Natural Resources and Assets (Article 12) and the National Programme of Environmental Protection with Action Plan (Articles 64 and 65).

The medium-term priorities of the European Partnership (2008) in connection with the environment are as follows:

- Seeing to the full application of the laws which have been harmonised with the EU legislation
- Implementation of the relevant international conventions and the Kyoto Protocol
- Adoption and commencement of implementation of the strategy on air pollution, treatment of hazardous waste and environmental protection
- Adoption and commencement of implementation of the national environmental protection strategy and strategy on waters
- Continued upgrading of the capacity of the institutions dealing with the environment on national and local levels

- Implementation of the multi-year plan of giving financial support to the environmental policy, including the multi-year investment plan
- Completion of the plant for the treatment and safe disposal of hazardous waste

The second report on the implementation of the **Poverty Reducing Strategy** in Serbia (3 August 2007) covers the activities laid down in the Strategy and carried out and makes recommendation for the following period. The following medium-term priorities from the aspect of poverty reduction are included:

- Increase in the number of households connected to the public water supply system and provision of drinking water of suitable quality
- Increase in the number of dwellings connected to the sewer network and restoration of the existing municipal wastewater treatment plants
- Increase in the number inhabitants covered by the waste collection system and construction of regional waste landfills
- Connecting the households in big towns to district heating systems or gas supply systems for heating purposes and reducing the number of households using solid fuels
- Upgrading of the system of management of protected natural assets and expanding the area of protected natural assets
- Preservation, advancement and expansion of the existing forests (increase in the area under forests and improvement of the forest structure)

The chief goals of the environmental policy are presented in the fourth section of the **Memorandum on the Budget and Economic and Fiscal Policies for 2009 with Projections for 2010 and 2011** are as follows:

For the purpose of establishing an efficient and integrated system of environmental protection, a national strategy of sustainable development and laws dealing with some areas of importance for environmental protection will be adopted, including: packaging and packaging waste law, law on the protection against non-ionising radiation, law on the protection against ionising radiation and nuclear security, waste management law, law ratifying the Convention on the Accessibility of Information, Participation of the Public in Decision-making and Right to Legal Protection in Environmental Issues, Aarhus Convention, chemicals management law, air protection law, biocides law, nature protection law, law on the protection and sustainable use of the fish stock, law on the protection against noise, law on the protection and sustainable use of greenery, law on the implementation of the Convention on the Prohibition of Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction.

Particular attention will be devoted to the enhancement of the institutional capacity for harmonisation of the national regulations in this field with those of the EU and for enforcement of the adopted laws dealing with the environment.

In October 2007, the Serbian Assembly ratified several international conventions dealing with the environment. Furthermore, the Protocol on the Strategic Assessment of Impacts on the Environment and Climate Change and the Convention on Environmental Impact Assessment in a Transboundary Context are going to be ratified.

The National Programme of Environmental Protection and the national action plans for its implementation, as well as the National Strategy of Sustainable Use of Natural Resources and Assets, are going to be adopted pursuant to the Environmental Protection Law.

The national strategy of and action plan for the protection of biological, geological and regional diversity of Serbia are going to be adopted. The system of management of the areas under protection, which will increase from 6% of the national territory at present to 9.5% by 2010, is going to be upgraded in keeping with the principle of sustainable development. This will be coordinated by the ministries responsible for spatial planning and various branches.

A sustainable system of funding the environmental protection efforts in Serbia is going to be established and the economic and other instruments of environmental protection funding, as well as the models of project financing, along with inclusion of the private sector, are going to be upgraded. The advancement and protection of the environment call for an increase in the allocations from the available gross domestic product by 0.3% in relation to the existing costs. What is needed very much are allocations for the advancement of the information system, national database and integrated polluter cadastre, as well as for modernisation of the air, water and soil quality monitoring system and protection of biological diversity and genofund, protection of human health and sustainable use of natural resources.

Particular attention is going to be devoted to the adoption and implementation of the programme of protection and use of waters, programme of improving the air control system, programme of improving the environment quality control system, programme of establishing the system for management of the risk of and response to chemical accidents, programme of establishing a system for protection against ionising and non-ionising radiation, programme of establishing systems for safe management of

chemicals and programme of stepping up the institutional and administrative capacities in industries and local communities for waste management.

The strategy of Serbia for accession of Serbia & Montenegro to the European Union (adopted in 2005) includes the following goals relating to the environment:

The harmonisation of the environment chapter with the EU regulations entails the following:

- Further development of the environmental protection system dealing with horizontal legislation in accordance with the EU *acquis communautaire* (analysis of the enforceability of adopted laws and their advancement with the means of amendments);
- Adoption of laws dealing with various areas, including: waste management, non-ionising radiation, protection against ionising radiation and nuclear security, packaging and packaging waste, nature protection, air protection, chemicals management, biocides, forests, fisheries (sustainable use and protection of the fish stock), protection against noise and vibrations, geology, etc.;
- Drawing up and adoption of strategic documents (NESAP, on sustainable development, climate changes, forests, wastewaters, protection of the air against pollution, sustainable use of water resources, etc.) and adopting the strategies of protecting the nature and biodiversity, sustainable use of natural resources and others of importance for development of the environmental protection system;
- Adopting the actions plans for the following pursuant to law: protection of waters, air and atmosphere, advancement of spatial planning and development, protection of soil, protection of forests, protection of ecosystems, protected natural assets, waste management, chemicals management, protection against ionising and non-ionising radiation, protection against accidents, protection against noise and vibrations, sustainable energy management, information system development, expansion of science research, education and instruction;
- Adopting the laws ratifying international agreements to do with the environment (Kyoto Protocol, Aarhus Convention and others – 26 priority ones); establishing efficient mechanisms for the performance of international duties and for cooperation;
- Adopting the regulations required under the set of environmental protection laws;
- Adopting regulations by areas, as well as standard (e.g., for drinking water);
- Forming expert committees for the purpose of identifying the EU directives requiring a period of transition for creating the grounds for negotiating positions in the procedure for accession to the EU; working out an integral strategy of harmonisation with the EU regulations dealing with the environment, which will set the deadlines and take into account the budgetary implications; working out the national strategy of sustainable use of natural resources;
- Monitoring the implementation of the National Programme of Protection of the Environment and Action Plan (NESAP) and Strategy of Sustainable Development; coordinating the implementation of the Integral Strategy together with the Sustainable Development Council;
- Periodical monitoring and analysing the realisation; introducing procedures, providing for and monitoring the application of EIA, IPPC and SEA regulations; making the balance of what has been done and for the EU legislation which has been modified considerably in the meantime (e.g., adoption of the REACH regulations for chemicals), adopting laws amending laws/new laws (second cycle);
- Monitoring the existing regulations and updating and harmonising them with the EU regulations;
- Improving the integration of the environment in other sectoral policies; and
- Enhancing the ecological awareness in all structure of society in the broadest sense.

Other requirements, besides the legislative ones, are as follows:

- Stepping up the administrative and human capacity for strategic planning in connection with the environment, various kinds of licences, inspection, monitoring of environmental factors, as well as for project management;
- Establishing the institutions which will monitor and deal efficiently with matters to do with accession to the EU and providing them with premises and equipment: Ministry of the Environment, Waters and Forests, Environment Agency, Regulatory Body for Ionising Radiation, Environment Fund and local funds, followed by provincial, city and municipal secretariats for the environment and sustainable development, Serbian Chamber of Economy, Council for

Sustainable Development as the Government's inter-sectoral body, Ecotoxicological and intervention units for taking action in the event of ecological and chemical accidents and other state institutions and bodies;

- Developing full cooperation with the European Environment Agency (EEA); building environmental infrastructure: The structuring of the Environmental Protection Agency, as well as the structuring of the information system and linking with the EEA are under way;
- Developing full cooperation in the protection and sustainable use of the rivers Danube, Sava, Tisa and Drina;
- Developing full cooperation with the International Atomic Energy Agency;
- Establishing or building up the network for monitoring the environmental and radiation factors, in accordance with the EU requirements;
- Modernising the border control for waste, chemicals, ionising radiation sources and protected flora and fauna species and inclusion in the unified border and customs control system;
- Establishing the cadastre of polluters and monitoring the biggest polluters in particular; encouraging the application of the environmental management systems in enterprises, ISO 14000/EMC and EMAC, ecological marking and cooperation with the Serbian Chamber of Commerce in particular; establishing a system of good laboratory practices in accordance with the 2004 EU Directive;
- Raising funds for capital projects in the environment sector (Fund, etc.) to do in the first place with dealing with the problem of chemical and medical waste and waste waters and reducing the emission of pollutants from thermal power stations, as well as preservation of biodiversity;
- Developing a system of "green" public procurements (taking into account the systemic solutions for environmental protection in the public procurements procedure) for the sake of efficient prevention and principle of sustainable consumption.

The National Programme of Integration into the European Union (NPI), which covers the 2008-2012 period sets out the medium-term priorities in the environment sector. The priorities listed below are laid down in the NPI document and extended to some areas which, too, are important from the environmental aspect:

- Continued enhancement of the administrative and institutional capacity for dealing with the environment on national level (ministries, agencies, inspections) and local level, education establishments, as well as advancing the professional knowledge of the staff of industries, science research institutions and monitoring institutions, by employment and training;
- The National Environmental Protection Programme planned to be adopted by the end of 2009;
- The Strategy of Sustainable Use of Natural Resources and Assets;
- Working out and implementing the multi-year plan of financing the environmental protection policy and the multi-year plan of financing investments in the environment;
- For the sake of full implementation of the 2001/42/EC Directive, selecting the indicators for assessment of the state of the environment and monitoring the impacts of the implementation of plans and programmes;
- Directive 2004/42/CE to be transferred fully;
- Ratifying the Pollutant Release and Transfer Register (PRTR) Protocol and accepting the GMO Amendment;
- Providing for full application of the laws harmonised with the EU legislation;
- Establishing a system for the collection of data on the state of the environment as the national focal point for cooperation with the European Environment Agency and as a component of the Shared Environmental Information System (SEIS);
- Establishing the national system of monitoring the air quality: 30 automated stations with a supporting calibration and analytical laboratory. € 500,000 are needed each year for maintenance of the system;
- Operationalising the Integrated Polluter Cadastre (IPC): Making precise operator lists, instructions for checking on the quality of the data forwarded from IPC, instructions for operators, reporting from IPC;
- Establishing an information basis and appropriate databases on waste management as a subsystem of the National Information System in line with the European directives;

- Implementing the relevant European regulations for setting up the Infrastructure for Spatial Information in the European Communities (INSPIRE Directive);
- Adopting by the end of 2011 the regulations pursuant to the Air Protection Law, thus providing for transfer and harmonisation with: Directive 94/63/EC, Directive 1999/13/EC, Directive 2004/42, Regulation 842/2006/EC, Directive 2006/40/EC, Regulation 1493/2007/EC, Regulation 1497/2007/EC, Regulation 303/2008/EC, Regulation 304/2008/EC, Regulation 305/2008/EC, Regulation 306/2008/EC, Regulation 307/2008/EC, Regulation 1494/2007/EC and Regulation 1516/2007/EC;
- Ratifying the remaining protocols to the Convention on Long-range Transboundary Air Pollution;
- Making plans for the implementation of certain directives to do with air quality management, which call for big investments;
- Making the Initial National Communication of the Republic of Serbia and making the inventory of the gasses producing the greenhouse effect, programme of measures for adequate adaptation to changed weather conditions and programme of measures for reduction of the emission of gasses producing the greenhouse effect, by the end 2010;
- Adopting the regulations on the basis of the Air Protection Law by the end of 2011 for the purpose of implementing fully the National Plan for putting out of use the 2005 SFS, as well as the plan for putting out of use the NSFS, which is being drawn up, with a view to implementing the Regulation 1497/2007/EC and Regulation 303/2008/EC;
- Adopting the National Programme for Climate Changes by the end of 2011;
- Transferring into national legislation the Directive 87/2003/EC by the end of 2011;
- The Government of the Republic of Serbia is to adopt the national waste management plans (e.g., Plan of Reduction of Biodegradable Waste, Plan for Reduction of Packaging Waste) in keeping with Directive 2006/12/EZ on waste and Directive 99/31/EC on waste landfills;
- Adopting on the basis of the Packaging and Packaging Waste Law an executive regulation specifying the kinds of packaging for certain kinds of chemicals for which deposits are to be given, whereby the requirements from Directive 94/62/EC on packaging and packaging waste would be transferred fully;
- Adopting the Law Amending the Mining Law, whereby the Directive 94/62/EC would be transferred fully;
- The Ministry is to make plans for the implementation of certain directives dealing with waste management, which call for big investments (directive on landfills, directive on electronic waste, directive on packaging waste, directive on waste incineration...);
- Starting to work out the strategy of implementing the framework directive on water;
- Adopting the Waters Law in line with the Strategy (draft prepared);
- Adopting new rules concerning the hazardous substances which may not be put in water – drafting and harmonisation with the corresponding EU Directive 2006/11/EC
- Adopting the Law Ratifying the Convention on the Protection and Use of Transboundary Watercourses and International Lakes (Helsinki Convention);
- Adopting the Law Ratifying the European Agreement on International Transport of Hazardous Cargo on Inland Waterways (ADN);
- Adopting the regulation on setting the criteria for establishing the status of particularly endangered environment, status of endangered environment and for setting the priorities for rehabilitation and remediation (proposal prepared);
- Adopting the National Action Plan for the Protection of Waters (pursuant to the Waters Law);
- Developing an environment information system which will provide for the formation, classification, maintenance, presentation and distribution of numeric, descriptive and spatial databases on the quality of the environment media (waters), monitoring the state and protection of the environment and information exchange with other information systems;
- Adopting by the end of 2010 special laws on national parks and regulations on the establishment of an ecological network and proclamation of the protected areas in Serbia in keeping with the Council Directive 92/43/EEC and Directive 79/409/EEC;
- Adopting by the end of 2010 regulations pursuant to the Game and Hunting Law, which should be fully in line with relevant European regulations;

- Adopting by the end of 2010 the National Strategy of Preserving Biodiversity and Action Plan, which is in line with the goals laid down in the EU Commission on Biodiversity and Action Plan until 2010 and thereafter (COM7200670216);
- For the purpose of implementing the NRE, the action plans for the protection of ecosystems, protected natural assets and soil, which are harmonised with the goals of the EC 6th Action Programme for the Environment, Thematic Strategy of Soil Protection (COM(2006)231) and relevant EU documents and regulations, are to be adopted by the end of 2010;
- Making a database on Seveso II plants, National Plan of Action in the Event of Chemical Accidents, municipal plans of action in the event of chemical accidents and Plan of Protection against Accidents Producing Transboundary Impacts;
- Adopting the national programme of implementing EMAS and action plan by the end of 2010;
- Adopting by the end of 2011 the regulation for establishing the mechanisms for implementation of Regulation 761/2001;
- Adopting the regulations pursuant to the Chemicals Law and the Biocidal Products Law;
- Establishing an information system representing a network for the exchange of information between the government agencies responsible for certain aspects of chemicals management about the chemicals being put on the market, their properties and measures for reduction of risks, as well as an Internet/Intranet portal for the exchange of other information in connection with safe management of chemicals, activities of competent authorities, participation in international meetings, etc.;
- Forming a joint body for integrated management of chemicals, consisting of the representatives of government agencies, industries, science research and educational sectors and other associations, as well as establishing the "help desk" for helping industries in the implementation of the Chemicals Law, Biocidal Products Law and regulations enacted on the basis of them;
- Establishing cooperation with the European Chemicals Agency for the purpose of monitoring the centralised procedures of registration, authorisation and restriction (prohibitions and/or restrictions) of chemicals carried out in the European Chemicals Agency in accordance with the REACH;
- Adopting the Law on the Protection against Noise in the Environment and relevant regulations;
- Improving the geological planning and prospecting and upgrading the inter-sector cooperation for the purpose of enhancing the administrative structures and strategic planning procedures concerning the environment;
- Upgrading the Geological Information System of Serbia (GeolISS), so that it could exchange information with all related systems in the country and abroad and setting up information exchange mechanisms;
- Reducing the risk of landslides in the Republic of Serbia by monitoring the landslides and supplementing and developing further the Geological Information System;
- Developing a groundwater monitoring system;
- Making maps of groundwater endangerment;
- Establishing a monitoring programme in accordance with the EU principles and the Framework Directive on Waters;
- Establishing a unified evaluation system for groundwater and geological environment protection purposes – principles and methodology;
- Appraising the present quality of groundwater and geological environment, by deposit types;
- Making maps of polluters and a unified cadastre of groundwater polluters;
- Making maps of the groundwater susceptibility to pollution as an integral part of the Geological Map of Serbia;
- Forming a unified database (as the hydrogeological part of the GeolISS);
- Seeing to the control of operation of the users of fisheries and providing support and supervision;
- Seeing to the control of the businesses engaged in domestic and international trade in fish (endangered and protected species in particular);
- Providing for the control of fish producers;

- Upgrading the system of sustainable management of fishery waters and reducing the negative impact on biodiversity and protected natural assets;
- Providing for modern monitoring of harmful and hazardous substances in fisheries;
- Upgrading the quality of fishing waters in keeping with Directive 2006/44/EC;
- Adopting regulations for encouraging the use of energy from renewable sources (tax facilities, incentive price of electricity from renewable sources, etc.);
- Improvement of education and developing public awareness for the purpose of encouraging greater use of renewable sources of energy.

MEDIUM-TERM GOALS

Based on the strategic framework set up by the mentioned documents, the following medium-term goals in the field of environmental protection have been given priority:

- Ratification of a number of international agreements, including the following most important ones: Protocol on the Strategic Assessment of Impacts on the Environment, Convention on the Migratory Wild Animal Species, Convention on the Assessment of Environmental Impacts in the Transboundary Context);
- Stepping up the legislative and institutional capacity in the field of environmental protection;
- Development of an efficient system of funding the environmental protection sector;
- Upgrading the quality of water and water resources;
- Upgrading of waste management;
- Upgrading of chemicals management and protection against accidents;
- Improvement of the quality of air and climate changes;
- Protection of nature, biodiversity and forests;
- Protection of soil;
- Protection against noise;
- Protection against ionising and non-ionising radiation;
- Reduction of industrial pollution;
- Reduction of pollution by the mining sector;
- Reduction of pollution by the energy sector;
- Upgrading of the environment in the agricultural, forestry and hunting sectors;
- Reduction of pollution by the transport sector;
- Development of a system of information and management in the event of chemical accidents in the territory of the Republic of Serbia.

The key precondition for achievement of the medium-term goals will be the availability of aid from the EU funds, as well as from other donors, for financing the environmental protection system in the Republic of Serbia, in view of the limited allocations from the Serbian Budget, NIP and Environmental Protection Fund.

The following tables show the priority projects and programmes, which should contribute to the achievement of the medium-term strategic goals in the field of environmental protection.

Table 50. Priority reform projects and programmes in the field of environmental protection in the 2009-2011 period

Name of project	Competent institution	Estimated value of project (in €)	Source of financing		Planned project start up time	Project completion term
			Own funds	External sources of financing		
1. Drafting and adoption of regional waste management plans for 10 regions	MESP	750,000				
2. Making the model for recycling the waste packaging glass in the Republic of Serbia	MESP					

Name of project	Competent institution	Estimated value of project (in €)	Source of financing		Planned project start up time	Project completion term
			Own funds	External sources of financing		
3. Stepping up the institutional capacity in hazardous waste management	MESP	1,500,000		IPA 2008 Fund	2009	2 years
4. Supporting the implementation of the chemicals management system in the Republic of Serbia	MESP	1,500,000		IPA2008 Fund	2009	2 years
5. Establishment of cooperation between the Chemicals Agency and the European Chemicals Agency	MESP					
6. Development of the information system for data on noise	SEPA, MESP	130,000	Budget	Donora		
7. Establishment of the Agency for Protection Against Ionising Radiation and Nuclear Security	MESP Ministry of Science	US\$ 150,000		Project proposal with International Atomic Energy Agency	2010	2 years
8. Institutional enhancement of environmental protection inspective supervision in the Republic of Serbia	MESP	3,600,000		IPA 2009 Fund	2010	2 years
9. Stepping up the capacity in the prevention of industrial accidents	MESP					1 year
10. Support to the implementation of an infrastructure environmental project – Hazardous waste treatment plant	MESP	€ 758,000		Kingdom of Norway		1 year
11. Stepping up the institutional capacity for environmental protection project management	MESP	€ 400,000		Government of the Netherlands G2G Programme		1 year
12. Assistance in preparing the documents for selected environmental infrastructure projects	MESP	€ 1,200,000		Germany		
13. Stepping up the capacity for implementation of the Law on Integrated Prevention and Control of Environmental Pollution in Serbia	MESP	130,000		Government of the Netherlands G2G Programme	2009	1 year
14. Introduction of the ecological marking system	MESP	63,000	Budget € 7,000		2009	
15. Development of EMAS system	MESP	50,000	Budget € 4,000	Donors	2009	
16. Drafting of the national plan for putting chloro-fluoro-hydrocarbons (HCFCs) out of use	MESP	US\$ 150,000		Multilateral Fund for Implenetation of of the Montreal Protocol	2009	
17. Stepping up the capacity for supporting activities in connection with alleviation of climate changes	MESP	400,000		Japan	2009	1 year
18. Economic evaluation of biodiversity and eco-system service in Serbia	MESP					
19. Completion of the National Strategy of Sustainable Use of Natural Resources and Assets (NSSUNRA)	MESP Ministry of Mining & Power Sources, Ministry of Agriculture, Forestry & Water Management	50,000		Donors		

Name of project	Competent institution	Estimated value of project (in €)	Source of financing		Planned project start up time	Project completion term
			Own funds	External sources of financing		
20. Concept of establishing the national mechanism for advancement of scientific and technical cooperation in the field of sustainable use of the biodiversity components (Clearing House Mechanism)	MESP	12,000		Donors		
21. Information system concerning the natural values and protected areas of the Republic of Serbia	MESP	1,800,000		Donors	2009	3 years
22. Adoption of the law on geological activity Enactment of new and modification of existing regulations dealing with geological prospecting & environmental protection	MESP	50,000	20,000	30,000	2009	
23. Setting the status and stepping up the capacity of the Geological Institute of Serbia	MESP	2,000,000	500,000	1,500,000	2009	2 years
24. Completion of the geological prospecting strategy	MESP	70,000	20,000	50,000	2009	2 years
25. Serbian fish stock monitoring	MESP	50,000			2010	
26. Feasibility study for the use of wastewater from big farms as energy source in Serbia	MESP	20			September 2009	
27. Typology of regions as the basis for protection of regional diversity in Serbia – harmonisation with international standards	MESP in cooperation with relevant institutions in this field	1,500,000		Donors	2009	2 years
28. Impact of climate change on forest ecosystems 1,500 in the territory of Serbia	MESP	1,500,00	Budget	Donors	2009	
29. Wastewater treatment management in Vojvodina, Odzaci Municipality	MESP			Czech Republic	2010	
30. Impact of climate change on forest ecosystems	MESP	1,500,000		Kingdom of Norway		
31. Establishment of the Environmental Management Centre (EMC)	Environmental Protection Agency	NOK 2,539,406		Kingdom of Norway	2009	
32. Aid to the Environmental Protection Agency as National focal agency for cooperation with EEA in the upgrading of the EIONET network in Serbia	Environmental Protection Agency	2,000,000		IPA 2008 Fund	2009	2 years

Table 51. Priority investment projects and programmes in the field of environmental protection in the 2009-2011 period

Name of project	Competent institution	Estimated value of project (in €)	Sources of financing		Planned project starting up time
			Own funds	External sources of financing	
1. Establishment of an information system for safe chemicals management	MESP			Donors	
2. Hazardous waste treatment plant – phase 1	MESP	3,000,000		IPA 2009 Fund	2 years
3. Hazardous waste treatment plant – phase 2	MESP	13,000,000		IPA 2010 Fund	3 years
4. Installation of metering equipment with suitable software for online metering (in settlements with highest noise emission in accordance with Directive 2002/49/EC)	MESP, municipalities	300,000	Municipalities	Donors	2 years
5. Establishing & equipping intervening units for response to accidents	MESP	2,000,000	Budget (400,000 secured)	Donors	Under way
6. Procurement of equipment for regional waste landfill in Zlatibor district	MESP	1,000,000		Germany	
7. Aid towards developing a regional water storage system	MESP	200,000	50,000 Municipality	Czech Republic 150,000	
8. Feasibility study for municipal waste transfer station in Valjevo	MESP	200,000	40,000 Municipality	Czech Republic 160,000	
9. Construction of early warning system (endangerment of surface water quality)	MESP	2,500,000		Donors	
10. Wastewater treatment plant in Sabac	Sabac Water Supply Authority, MESP	15,110,000		DABLAS	
11. Procurement of equipment for the Argus ship laboratory	MESP	400,000	15% participation	Italian donation	2009

Name of project	Competent institution	Estimated value of project (in €)	Sources of financing		Planned project starting up time
			Own funds	External sources of financing	
12. Aid to the Environmental Protection Agency in creating and managing the national environmental information system as cluster component of the Shared Environmental Information System (SEIS)	Environmental Protection Agency	2,400,000		IPA 2009 Fund	2 years
13. Establishment of a water management system in the Kopaonik National Park	MESP	3,500,000		Donors	2 years
14. Implementation of the action plan of control and wiping out the allchthonous species	MESP in cooperation with competent ministries	1,500,000		Donors	2 years
15. Fisheries information system	MESP	50,000		Donors	3 years
16. Further development and implementation of the Geological Information System of Serbia (GeolISS)	MESP	650,000		Donors	By 2012
17. Cadaster of landslides and unstable hillsides in Serbia	MESP	1,920,000		Donors	By 2015
18. Preparation of engineering and geological bases for spatial planning level	MESP	25,000,000	5,000,000	Donors	By 2011
19. Serbia groundwater resource monitoring	MESP	750,000	120,000	Donors	By 2012
20. Protection of Serbian groundwater resources	MESP	700,000	120,000	Donors	By 2012
21. Reduction of risk to human health in connection with inadequate management of wastewaters in Padinska Skela, Belgrade	MESP			Czech Republic	2010
22. Installation of a 50 MW boiler in the existing heating system of Valjevo	MSEP			Czech Republic	2010

3.13 Town and Spatial Planning and Housing

The Republic of Serbia Spatial Plan Law with the *Republic of Serbia Spatial Plan* (RS Official Gazette, No. 1/13/96) still makes up the strategic framework of development. Although it needs to be modified, mainly because of the country's impoverishment and changes made in the neighbourhood, the Republic of Serbia Spatial Plan is still a proper and applicable framework for the channelling urbanisation, building of cities and suburbs, as well as transport and infrastructure network on national level.

The strategic goal in the field of spatial and town planning is the *achievement of sustainable spatial and urban development of the Republic of Serbia*.

The medium-term goals in the field of town and spatial planning are as follows:

1. Stepped up responsibility in the planning and development of space
2. Risen efficiency in the use, management, protection and improvement of space, as well as uniformity of territorial development of the Republic of Serbia, along with preservation of the quality and diversity of the available natural and man-made resources
3. Giving efficient, high-quality, cheap and reliable services to citizens in the areas for which the Ministry of Infrastructure is responsible
4. Institutional enhancement and raising the level of knowledge and skills of the employed.

The Country Profile on the Housing Sector of S & M has been prepared in cooperation with the UN European Economic Commission – Committee on Human Settlements and it has already been published and put on the UNECE site. The *Draft Study of the Republic of Serbia Housing Sector* - which is now in the process of being reconciled with other competent ministries and will be presented to the Government for adoption by the end of May this year – was made on the basis of this study. The study recommendations make up the basis for adoption of the *National Housing Policy*, as the missing strategic development framework in the field of housing. The drafting of the National Strategy of Social Housing is going to be started in the second half of this year on the basis of the Draft Social Housing Law and it will provide the strategic guidelines for the field of social housing, as a part of public interest for the sake of social sustainability of the community. Some elements of the strategic framework for housing are also included in the *Poverty Reduction Strategy* and the 1st report on the implementation of that strategy, as well as in the *Memorandum on the 2006 Budget and Economic and Fiscal Policies*.

The strategic goal in the field of housing is the seeing to social sustainability of the community by clearly defining the protection of public interests in the field of housing.

The medium-term goals in the field of housing are as follows:

1. Upgrading of the legislation in the field of housing policy in general and in the sphere of social housing in particular;
2. Risen efficiency in the management, use and maintenance of the existing housing stock;
3. Institutional enhancement in the housing sector on central level and raising the level of professional knowledge and skills in this area;
4. Giving support to the institutional enhancement of local self-governments in the field of housing for the purpose of intensifying the housing construction and dealing with the problem of informal forms of housing;
5. Upgrading of the system of building land planning and management for the purpose of providing sites for accessible housing construction and preventing further unlawful construction

The following table shows the priority projects and programmes identified by the Ministry of Infrastructure, which should contribute to the achievement of the above mentioned goals in the field of town and spatial planning in the 2007-2009 period.

Table 52. Priority projects and programmes of the Ministry of Infrastructure in the field of spatial planning and housing in the 2007-2009 period

Name of project	Competent institution	Estimated value of project (in €)	Sources of financing		Planned project starting up time
			Own funds	External sources of financing	
1. Working out the Strategy of Spatial Development of Serbia	RSPA/MI	*			

Name of project	Competent institution	Estimated value of project (in €)	Sources of financing		Planned project starting up time
			Own funds	External sources of financing	
2. Drafting the new Planning & Construction Law	MI	*			
3. Establishing the information system on space and settlements in Serbia	RSPA/MI	*			
4. Forming the urban indicators	MI	*			
5. Making the regional plans for corresponding areas of Serbia	RSPA/MI	*			
6. Establishing the Republic Housing Agency and local housing agencies in major town & municipalities	MI	*			
7. Making a study of the housing sector of the Republic of Serbia	MI	*			
8. Drawing up the national housing policy documents	MI	*			
9. Working out the national strategy of social housing	MI	*			
10. Drafting the new law on the management & maintenance of residential buildings	MI	*			
11. Developing institutional capacity for improving the living conditions in the settlements of Krnjaca and Borca in the Belgrade Palilula municipality	MI	*			
12. Creating institutional capacity for the improvement of housing conditions of the poorest Roma settlements in the territory of Kraljevo	MI	*			
13. Programme of rehabilitation and construction of buildings for the inhabitants of Kolubara district, whose buildings	MI	*			

Name of project	Competent institution	Estimated value of project (in €)	Sources of financing		Planned project starting up time
			Own funds	External sources of financing	
were destroyed by an earthquake in 1998					
14. Programme of compensation for the people whose buildings were destroyed in the 1999 NATO bombing	MI	*			
15. Construction of houses for people in the areas affected by floods in 2005	MI	*			
16. Assessment & repair of damage and construction of houses in the areas affected by landslides in 2006	MI	*			
17. Construction of 70 houses for accommodation of internally displaced persons in the Gracanica municipality	MI	*			
18. Drafting the programme of construction of 1200 houses for indigent Roma population in the scope of implementation of the Action Plan for the Improvement of Roma Housing	MI	*			

* It is necessary to estimate the value of projects, as well as the structure of the sources of financing, in cooperation with competent ministry and competent institutions.

3.14. Internal Affairs

In the forthcoming period, the reform of the Police will be one of the priority tasks to achieve the EU association process. Objectives of this reform are as follows: to ensure high degree of security (both of individuals and property) from all forms of threats, to maintain stable public peace and order and a favourable security situation in the Republic of Serbia. In line with that, the reform covers more rational organizing of the whole service, its modernization, formation of efficient, flexible and rational police education system securing training of police members on all levels and profiles during the whole working career. In addition to this, it is necessary to further strengthening mechanisms for internal control, legality, professionalism and responsibility of all members of the Ministry of Internal Affairs, as well as rendering necessary assistance and cooperation in establishing effective system of external, parliamentary supervision over police's work. Priority strategic goals of this Ministry, harmonized with European Partnership requirements are:

- Fight against organized crime and all its expression forms, especially in the field of financial crime
- Efficient solving of the most difficult criminal acts, prevention of attempts to destabilize safety status in the area of Serbian southern municipalities, to see whether this is harmonized with the European Partnership
- Establishing functionality of operations for securing state border and establishing integrated system for state border management,
- Strengthening internal control and establishing external supervision, strengthening capacities for criminal investigations by modernization of criminal investigation technique,
- modernization of informatics and communication equipment in order to accelerate execution of citizens' rights, increase availability of relevant information from records held by the Ministry of Internal Affairs, homogenization of IT infrastructure production
- Development of police education system, as well as institutional development of this Ministry and implementation of comprehensive reforms of the Ministry.

In order to achieve the abovementioned goals, the Police Law was adopted at the end of 2005, based on the highest standards set in EU documents and in line with reform approach, that the police should become citizens' service. In this Law have been incorporated and developed basic principles and goals of already initiated reforms in the police. The Law has regulated specific issues pertaining to police officers and other employees in the Ministry, bearing in mind that their position, duties, rights and obligations differ from other state servants, as well as other issues pertaining to control of the work of the police, financing, cooperation in performing police jobs, reserve police units, etc. The Law on Protection of Criminal Proceedings Participants has been adopted based on which special unit of the Ministry of Internal Affairs has been formed – Protection Unit. Based on the Law, Program of Protection of Criminal Proceedings Participants is being implemented.

In the previous period significant reform goals in this field have been achieved with international support and assistance. The majority of projects have been implemented in the direction of strengthening human, material and technical capacities of the Ministry of Internal Affairs, like developing capacities for border management, informatics equipment, as well as of different trainings and education courses. in.

Table 53. The most important Projects of the Ministry of Interior for 2001 -2009

Programme/ProjectTitle	Value	Source of Financing	Implementation Period
1. Integrated management of border crossing point Horgos	5,000,000	EU Commission	2001
2. IT equipment for the needs of the Ministry of Interior of the Republic of Serbia	1,879,073	Germany	2005
3. The Police work based on citizens' safety	410,000	United Kingdom	2003

Programme/ProjectTitle	Value	Source of Financing	Implementation Period
4. Reforms and support to the internal affairs sector	1,610,879	Switzerland	2002
5. Infrastructure of Batrovci border crossing (2002 budget)	4,000,000	EU Commission	2001
6. Infrastructure of Horgos border crossing, phase II (2002 budget)	5,000,000	EU Commission	2002
7. Control of light weapons in Serbia and Montenegro	585,000	UNDP	2002
8. Establishment of service of programmed migration management	1,86,278	Italy	2005
9. Support to the rule of law and creation of conditions for quality conduct of court proceedings and investigation of crime scene in Serbia	12,430,000	Sweden	2002
10. Support to the Ministry of Interior CARDS 2003	12,000,000	EU Commission	2002
11. Support to the Ministry of Interior CARDS 2004	1,000,000	EU Commission	2003
12. Border crossing Commission capacity building programme and border crossing rehabilitation programme CARDS 2004	6,000,000	EU Commission	2004
13. Improving of Information Management (MIIP) – Norwegian bilateral assistance from 2004	1,688,630	Norway	2004
14. Support to the Ministry of Interior (Border Police Directorate), for criminal intelligence capacity building (software I2)	5,000	Great Britain	2004
15. Support to the Border police Directorate of the Ministry of Interior for building capacity for permitting sojourn on humanitarian basis to foreign nationals, victims of human trafficking	30,000	International Migration Organization	2004
16. Support to the Directorate for foreigners at Belgrade Police Directorate of the Ministry of Interior for building capacities to fight against human trafficking	10,000	Great Britain	2004
17. Internal affairs CARDS 2005 – law enforcement agencies capacity building		EU Commission	2005
18. Construction of shelter for asylum seekers	200,000	EU Commission	2005
19. Support to the Ministry of Interior - Border Police Directorate – CARDS 2005	3,000,000	EU Commission	2007
20. Support to the Ministry of Interior - Border police Directorate– CARDS 2006	3,000,000	EU Commission	2007
21. Development of criminal intelligence analytics of border police services for Serbia and Montenegro	132.746,87	Great Britain / OSCE project	2005
22. Border police capacity building	76,895.16	Italy / OSCE Project	2005
23. Improving of capacities of the Ministry of Interior of the Republic of Serbia for fight against human trafficking – equipment acquisition phase	65,266.21	Kingdom of Norway / OSCE project	2005
24. Forensic training for border police officers on use of Docubox and on stolen vehicles identification	8,630	OSCE	2006
25. Support to the Ministry of Interior -Special police teams for fight against human trafficking (through providing of technical equipment)	USD 110,000	USA	2003

Programme/ProjectTitle	Value	Source of Financing	Implementation Period
26. Support to the Ministry of Interior - Border police directorate for developing criminal intelligence capacities - software CMIS and equipment	54,000	Great Britain	2006
27. Support to the Ministry of Interior - Directorate for Foreigners of Belgrade Police – capacity building for fight against human trafficking	10,000	Great Britain	2004
28. Support to the Ministry of Interior – Units for fight against human trafficking (equipment)	10,000	USA	
29. Support to the Ministry of Interior – Units for fight against human trafficking (vehicles)	USD 160,000	USA	2005
30 'PACO Serbia' Project for fight against economic crime in the Republic of Serbia		EAR Council of Europe	2005 – 2007
31. Improving information's management (MIIP), phase 1, Procurement of hardware and software for enhancing financial and accounting operations	882,000	Government of the Kingdom of Norway	2006
32. Improving of traffic police equipment and of procedures for processing traffic accidents and their harmonization with standards and procedures in the EU – Traffic Police Directorate	1,500,000	NIP	2007
33. improving of existing NKTC capacities	600,000		2007
34. Establishment of laboratory for phonetic expertise	150,000		2007
35. Takeover of state border security duties from the Army of Serbia and Montenegro – construction and upgrading of infrastructure for the needs of the border police	12,900,000	NIP	2007
36. Takeover of state border security duties from the Army of Serbia and Montenegro – equipping border police with vehicles, IT equipment and communication facilities	3,205,000	NIP	2007
37. Adaptation of facilities and acquisition of container-type facilities	12,900,000	NIP	2007
38. Procurement and installation of telecommunication system for SGP and ITC towards Bulgaria	17,000	NIP	2007
39. Equipping border police with vehicles, IT equipment and telecommunication equipment	3,200,000		2007
40. Capacity building of the Department for Public Peace and Order in the area of fight against human trafficking	28,000 GBP sterling	UK Government, IOM	2007 – 2008
41. Capacity building and enhancement of cross-border cooperation at the state border between the Republic of Serbia and the Republic of Croatia	123,466 GBP sterling	UK Government, IOM	2006 – 2008
42. Capacity building of the regional centres within the Internal Police Control Sector	161.248,15	Government of the Kingdom of Norway and OSCE	2009 - 2010
43. Establishing of criminal intelligence system (KOS)	2,400,000	CIDA (Swedish international development agency)	2005 - 2009
44. Support to the capacities of criminal intelligence services in Serbia and Montenegro	442,000	UNDOC	2008

Programme/ProjectTitle	Value	Source of Financing	Implementation Period
45. Establishment of the operational analytical service within the criminal police of the Ministry of Interior of the Republic of Serbia – phase I	1,000,000	UNODC, ICITAP, SNPB	2008
46. Support to strengthening of Criminal technical centre of Serbia by establishing of basic laboratory for forensic sound processing	55,000	AECI	2008
47. Digital radio telephone network under TETRA standard – launch of phase II	RSD 320,000,000	NIP	2008 - 2009
48. Telecommunication Transport Network– launch of major routes	600,000	Own budgetary funds	2007 - 2008
49. The development of community policing through improved training and problem-oriented work in the police of Republic of Serbia (JUNO 5)	449,142	Government of the Kingdom of Norway	2008 – 2009

Source: Ministry of Interior of the Republic of Serbia

In order to implement the reforms, it is necessary to continue with implementation of activities focused on harmonization and adoption of legal regulations representing a base for the work of this Ministry, primarily through adoption of laws (on state border, on foreigners, on personal data protection, on the secrecy of data, on Personal Identity Card, on permanent / temporary residence, on the citizens' unique identification code). Initiated activities should also be completed in establishing state border securing system, as well as activities on compilation of by-laws based on Police Law, that shall more closely regulate and develop this matter, which shall enable complete reform of the police. In relation to the jobs of taking over state border, procedure of taking over state border has been completed on January 27, 2007 according to the Agreement on Transfer of Jobs for Securing State Border and Dynamic Plan for its Implementation.

By the end of 2007 the National Assembly has adopted the following laws partially from the authority of the Ministry of Internal Affairs: Asylum Law, Passports' Law, Law on Confirming Convention on Police Cooperation in South Eastern Europe, Law on Confirming Agreement Between the Republic of Serbia and European Union on Alleviated Procedure for Issuing Visas and the Law on Confirming Agreement Between the Republic of Serbia and European Union on Readmission of Persons who Illegally Stay There. The Government has adopted Strategy of Integrated Border Management of the Republic of Serbia, as well as Action Plan for Implementation of the Quoted Strategy. Strategy is a document by which the Republic of Serbia determines policy in the field of establishing integrated border management system, determines frameworks for coherent and synchronized sectoral strategies and implementation plans, defines roles and responsibility of state entities, identifies strategic goals and determines basic directions of action in the process of establishing and implementing long term sustainability and stability of the established integrated border management system. The Strategy is based on the National Strategy for Serbia for Accessing European Union and current reform processes in the country, primarily those quoted in the European Partnership document. Besides that, as a source of good practice examples and adopted standards in this field, European Commission Guidelines have been used for integrated border management for Western Balkans states, Schengen Catalogue, Schengen acquis, as well as signed international conventions in the field of human rights protection, rights of asylants and refugees. Identifying critical infrastructure elements in information and communication system represents a constant task that is continually implemented in order to raise capacities for support and modernization of work of all operating lines in the Ministry of Internal Affairs. Envisaging the need for reserve infrastructural elements representing critical elements and providing reserve communication paths and IT equipment necessary for increasing system reliability and continuous availability of information. The Government of the Republic of Serbia has adopted by the end of 2006 Strategy of Fight against Human Trafficking in the Republic of Serbia. This Strategy consists of a series of measures and activities that should be implemented for timely and comprehensive reply to the problem of human trafficking in the country, with special focus on protection of human rights of victims. By compiling the Strategy clear strategic goals have been set, that should be implemented by various activities of state institutions, non-governmental and international organizations. These activities shall be especially represented in the National Action Plan for Fight against Human Trafficking, the adoption of which shall

follow. The Strategy represents national policy of fight against human trafficking in the Republic of Serbia and is primarily based on protection of human rights of victims. The next table shows priority projects and programs identified by the Ministry of Internal Affairs, which should contribute to implementation of the above quoted goals.

Table 54. Priority projects and programmes of the Ministry of Interior, for 2009 - 2011 – Investment projects

Project Title	Relevant Institution	Estimated Project Value (in Euros)	Information on Sources of Funding		Estimated Period of Project Implementation
			Own funds	External Sources of Funding	
1. Organization of professional services acting in emergencies	Sector for Protection and Rescue – Ministry of Interior, Local authorities, Gendarmerie, Special operations Unit, Helicopter Unit of the Ministry of Interior, Sports Associations (divers, alpinists, speleologists, paratroopers and the like), the Red Cross, The Army of Republic of Serbia, firefighting and rescue units in companies, hydrometeorology organizations, seismology bureaus, amateur radio operator clubs – intersectoral Project	5,000,000			2009
2. Equipping of firefighting and rescue units and construction and renovation of their respective facilities	Protection and Rescue Sector – Ministry of Interior, Government of the Republic of Serbia, Local authorities, professional services for emergency situations, equipment manufacturers, professional associations – cross-section project	50,000,000			2009
3. Upgrading of technical equipment and enhancing the functionality of tasks in response to emergency situations along the Corridor 10	Protection and Rescue Sector – Ministry of Interior, professional services acting in extraordinary situations, local authorities, Automobile Association of Serbia – cross-section project	3,650,000			2009

Project Title	Relevant Institution	Estimated Project Value (in Euros)	Information on Sources of Funding		Estimated Period of Project Implementation
			Own funds	External Sources of Funding	
4. Acquisition of helicopters for firefighting and rescue of people in emergency situations	Protection and Rescue Sector – Ministry of Interior, Helicopter Unit of the Ministry of Interior	18,000,000			2009
5. Construction of telecommunication infrastructure and setting up of the 112 Service	Protection and Rescue Sector – Ministry of Interior, Communications and Crypto Protection Directorate, IT Technologies	4,300,000			2009
6. Upgrading of household telephone exchanges	Directorate for Link and Crypto Protection	2,700,000			2009
7. Support to Protection of Human Rights during Policing and Law Enforcement -improvement of detention conditions by expanding and renovation of detention facilities	Police Directorate	4,000,000			Phase 2009 phase 2010
8. Renovation of education/training premises in the local Police Directorates in Kragujevac, Pancevo and Novi Pazar	Police Directorate				2009
9. Support to implementation of the project "Police Station Records"	Police Directorate	5,000,000			2009
10. Upgrading and modernization of the Helicopter Unit fleet of the Ministry of Interior	Helicopter Unit	10,000,000			2010
11. Establishing and equipping of regional anti-terrorism centre - construction of test range for 'Kill house'	Special Anti-Terrorist Unit	2,500,000			2009
12. Strengthening of technical capacities and equipping units for technical surveillance	Criminal Police Directorate	1,000,000			2009

Project Title	Relevant Institution	Estimated Project Value (in Euros)	Information on Sources of Funding		Estimated Period of Project Implementation
			Own funds	External Sources of Funding	
13. Upgrading of technical capacities and equipping with special equipment for use of special investigative techniques and special techniques proving criminal acts	Criminal Police Directorate	2,000,000			2009
14. Establishing of laboratory for toxicological forensic expertise	Criminal Police Directorate	160,000		AECI	2009
15. Acquisition and equipping of vehicles for the purpose of conducting investigation	Criminal Police Directorate	1,000,000			2009 – 2010
16. IT equipment for operation of criminal investigative techniques	Criminal Police Directorate	200,000			2009 – 2010
17. Establishment of Regional CTC in Kragujevac	Criminal Police Directorate	1,000,000			2009 – 2010
18. Establishment of Regional CTC in Uzice	Criminal Police Directorate	1,000,000			2009 – 2010
19. Equipping administrative work streams with photo-boxes for production of biometric documents	Administration Directorate				2009
20. Support to the establishment of national asylum system in keeping with EU standards – material-technical equipping of the Office for Asylum	Border Police Directorate	200,000		UNHCR	2009
21. Renovation and construction of additional premises at Padinska Skela shelter for foreigners	Border Police Directorate	2,000,000			2009

Project Title	Relevant Institution	Estimated Project Value (in Euros)	Information on Sources of Funding		Estimated Period of Project Implementation
			Own funds	External Sources of Funding	
22. Development of IT system for state border crossing control	Border Police Directorate and IT Directorate	4,000,000		IPA 2008	2009
23. Construction and improvement of infrastructure, reconstruction, rebuilding and renovation of facilities, and procurement and installing of (container-type or prefabricated) facilities for the needs of the Border Police	Border Police Directorate	2,500,000	NIP 2009		2009
24. Equipping Border Police with wharfs for patrol boats	Border Police Directorate	400,000	NIP 2009		2009
25. Security system and state border management	Border Police Directorate	2,000,000	Approved in NIP 2008 RSD 125,000,000 unspent, carried over to 2009		2009
26. Improvement of border control standards	Border Police Directorate and Communications Directorate	5,500,000		IPA 2007	2009
27. Strategy for vehicle speed management on the state roads and in populated areas, aimed at reducing the number of traffic accidents and the severity of their consequences	Traffic Police Directorate	3,500,000			2010
28. Establishment and modernization of existing IT systems training centres for employees of the Ministry of Interior	IT Directorate	500,000			2009

Project Title	Relevant Institution	Estimated Project Value (in Euros)	Information on Sources of Funding		Estimated Period of Project Implementation
			Own funds	External Sources of Funding	
29. Reconstruction and modernization of existing information centres and setting up of national centre in Belgrade	IT Directorate in cooperation with Police operational lines	1,000,000			2010
30. Improvement of IT basis for the process of issuing new identification documents and protection of IT infrastructure of the Ministry of Interior	IT Directorate	1,000,000			2009
31. Implementation of the recommendations of the National Anti-Corruption Strategy - phase II aimed at Setting up of IT infrastructure required for efficient fight against corruption – expansion in keeping with action plan	IT directorate, Criminal Police Directorate	2,500,000			2011
32. Upgrading of IT communication infrastructure aimed at terrorism prevention	IT Directorate	1,500,000			2009
33. Improvement of system for management of citizens' biometric data	IT Directorate	12,000,000			2009
34. Critical IT infrastructure - phase III implementation phase	IT Directorate	5,000,000*			2011 phase III

Table 55. Priority projects and programmes of the Ministry of Interior in the period 2009 -2011 – Development programmes

Project Title	Relevant Institution	Estimated Value of Project (in Euros)	Information on Sources of Funding		Envisaged launch of project implementation
			Own funds	External Sources of Funding	
1. Improvement of management information (MIIP) Phase 2, Procurement of hardware and software for enhancing operations, maintenance of facilities and use of vehicles	Directorate for Common Legal Affairs	1,078,000	125,000	Government of the Kingdom of Norway 953,000	2009
2. Colleague's Support – Pilot Project II	Directorate for specialized education, training, professional development and science, Human Resources Directorate, Sector for Protection and Rescue, Police Directorate	95,000	4,500	Government of the Kingdom of Norway 90,500	2009
3. Installing of video-surveillance system along the sections of the Corridor 10 and Traffic Police reform in compliance with EU recommendations and international conventions	Traffic Police Directorate	5,000,000			2009
4. Audio-video surveillance of the police traffic control	Traffic Police Directorate	1,550,000			2009
5. Upgrading of analytical databases on traffic accidents and traffic in accordance with the European standards	Traffic Police Directorate	500,000			2009
6. Modern traffic control model – inspection of intoxicated drivers	Traffic Police Directorate	3,000,000			2010

Project Title	Relevant Institution	Estimated Value of Project (in Euros)	Information on Sources of Funding		Envisaged launch of project implementation
			Own funds	External Sources of Funding	
7. Modern traffic control model – checking speed of vehicles in civilian unmarked police cars (phase 2)	Traffic Police Directorate	650,000			2010
8. Development of programme system for monitoring the working process of the Traffic Police	Traffic Police Directorate	250,000			2010
9. Introduction of system of global positioning of Traffic police vehicles via GPS units	Traffic Police Directorate	250,000			2010
10. Precaution measures campaign targeting vulnerable groups participating in traffic (children, pedestrians, bicycle riders, and drivers of bicycles with motor)	Traffic Police Directorate	400,000			2010
11. Equipping two Police helicopters for prevention and detection of criminal acts and offences through road traffic control	Traffic Police Directorate	700,000			2011
12. Establishment of unit for work with hidden investigator	Criminal Police Directorate	2,000,000			2009

Project Title	Relevant Institution	Estimated Value of Project (in Euros)	Information on Sources of Funding		Envisaged launch of project implementation
			Own funds	External Sources of Funding	
13. Development of methodology and technical capacities for tracking investigative actions, taking statements from suspects, witnesses and protected identity witnesses, as well as transfer, maintenance and case use of materials, in line with new Criminal Proceedings Law solutions.	Criminal Police Directorate	2,000,000			2009
14. Establishing functioning operational analytics in the Criminal Investigations Directorate of the Ministry of Interior	Criminal Investigations Directorate	EUR 2,000,000			phase II 2009-2011
15. Supply of special purpose vehicles and equipment for conducting investigation	Criminal Investigations Directorate	1,000,000			2009 - 2010
16. IT equipment for the operating line of criminal investigation techniques	Criminal Investigations Directorate	200,000			2009 - 2010
17. Introduction of the system of application and control of work quality of the criminal investigations techniques	Criminal Investigations Directorate	500,000			2009 – 2010
18. Capacity building of the Department for Observation and Documentation of the Criminal Police Directorate in fight against international organized crime in Serbia	Criminal Investigations Directorate	500,000			2009

Project Title	Relevant Institution	Estimated Value of Project (in Euros)	Information on Sources of Funding		Envisaged launch of project implementation
			Own funds	External Sources of Funding	
19. Electronic Archiving; sources of financing data	Criminal police directorate, International police cooperation department	150,000			2009
20. Project of Digital Radio Telephone Network according to TETRA standard	Communications and Crypto-Protection Directorate	85,000,000 (phase II amounting 25,000,000 should at least be implemented) Phase II amounting to 4,000,000 : Implementation launched, implementation to be proceeded			2009
21. Telecommunication and Transport Network t	Communications and Crypto-Protection Directorate	8,500,000			2009
22. Drafting Preoaration of the project for building the 112- service telecommunication infrastructure	Communications and Crypto-Protection Directorate	15,000			2009
23. Preparation of the national strategy for protection and rescue in emergency situations	Government of the Republic of Serbia, (Ministry of Interior, Ministry of Defence, Ministry of Agriculture, Healthcare Ministry, Ministry of Environment Protection, MKI) - cross-sector project				2009
24. Education and training of rescue units officers for extending paramedical aid	Sector for protection and rescue of the Ministry of Interior, M3, medical schools	100,000			2009

Project Title	Relevant Institution	Estimated Value of Project (in Euros)	Information on Sources of Funding		Envisaged launch of project implementation
			Own funds	External Sources of Funding	
25. Modernization of the curricula of schools specializing in educating personnel qualified for protection in emergency situations and in other schools and faculties	Sector for protection and rescue, Education directorate of the Ministry of Interior, Ministry of Education and Sport, teachers' associations, voluntary firefighting associations and societies	100,000			2009
26. Upgrading of the new travel document issuing system in accordance with EU standards	IT Directorate	900,000			2009
27. Establishment of Info Desk for IT users and users of the Ministry of Interior system	IT Directorate	1,000,000			2009
28. Development of information system for automatic monitoring of mobile objects on the basis of the established spatial infrastructure in the the Ministry of Interior of the Republic of Serbia	IT Directorate	1,500,000			2009
29. Establishment of the infrastructure of spatial data in the Ministry of Interior	IT Directorate	600,000			2009
30. Setting up system for management of documents and business processes in the Ministry of Interior of the Republic of Serbia	Directorate for Analytics, IT Directorate	1,100,000			2009

Project Title	Relevant Institution	Estimated Value of Project (in Euros)	Information on Sources of Funding		Envisaged launch of project implementation
			Own funds	External Sources of Funding	
31. Protection of critical IT infrastructure - phase I – feasibility study phase	IT Directorate	100,000			2009 phase I
32. Protection of critical IT infrastructure – phase II - planning and setting up of resource basis for Project implementation	IT Directorate	4,000,000			2010 phase II
33. Building up of the Public Key infrastructure (PKI)	IT Directorate	1,000,000			2009
34. Setting up of the system of verification, inspection and issuing visas at border crossings of the Republic of Serbia	Ministry of Interior (IT Directorate and Border Police Directorate) and Ministry of Foreign Affairs	5,000,000			2009
35. Introduction of the National Asylum system – phase II building of asylum information system	IT directorate, Border Police Directorate	250,000			2009 phase II
36. Introduction of the National Asylum system Project – phase III equipping and training of staff	IT directorate, Border Police Directorate	300,000			2009 phase III
37. Setting up of an efficient system for fight against illegal migrations on the territory of the Republic of Serbia	Border Police Directorate, Criminal Investigations Directorate, IT Directorate	5, 000,000			2009 - 2011

Project Title	Relevant Institution	Estimated Value of Project (in Euros)	Information on Sources of Funding		Envisaged launch of project implementation
			Own funds	External Sources of Funding	
38. Ensuring of IT infrastructure for introduction of unique operating system 112 for emergency cases	IT Administration, Protection and rescue Sector	*			2009
39. Implementation of National Anti-Corruption Strategy Recommendations – phase I - setting up of IT infrastructure required for efficient fight against corruption – pilot locations	IT directorate, Criminal Investigations Directorate	1,000.000			2010
40. Proposal for linking I-24/7 Interpol's network with the national police force network of the Republic of Serbia	IT Directorate, Criminal Investigations Directorate	200,000			2009
41. Capacity building for drafting integrity plans for fight against corruption.	Criminal Investigations Directorate	1,000,000			2009
42. Police Reform – Internal Control, will be implemented through twinning	Internal Police Control Sector	1,000,000 Euro (850,000 Euro for twinning and 150,000 Euros for acquisition of technical equipment)		IPA 2007	2009
43. Development of criminal intelligence capacities of the Border Police	Ministry of Interior- Border Police Directorate	500,000			2009
44. Early warning system development	Border Police Directorate, Ministry of Defence	100,000			2009

Project Title	Relevant Institution	Estimated Value of Project (in Euros)	Information on Sources of Funding		Envisaged launch of project implementation
			Own funds	External Sources of Funding	
45. Support to the application of the Misdemeanour Law and strengthening cooperation with Misdemeanour Courts – technical improvement of the police officers work on preventing, detecting and proving of offences committed against public order	Police Directorate	1,500,000			2009
46. Development "Crime Mapping" project (hardware, software and other equipment) as part of police work focused on problem solving	Police Directorate	500,000			2009
47. Support to 'Records of extreme sports fans' (hardware, software and other equipment)	Police Directorate	*			2009
48. Support to setting up of National Centre for Combating Hooliganism	Police Directorate	2,500,000			2009
49. Education for Police officers for cooperation with minority and socially vulnerable groups	Police Directorate	500,000			2009
50. Organization of specialized foreign language courses tailored for Police officers	Police Directorate	100,000			2009

Project Title	Relevant Institution	Estimated Value of Project (in Euros)	Information on Sources of Funding		Envisaged launch of project implementation
			Own funds	External Sources of Funding	
51. Support to the implementation of "Safety for all" P (creating conditions for communication of police officers with persons with special needs – deaf and dumb)	Police Directorate	350,000			2009
52. Upgrading of equipment of the Helicopter Unit for operational fight against terrorism, organized crime and state border crossing control at night	Helicopter Unit	2,000,000			2009.
53. Equipping one Police helicopter for preventing and detecting terrorist activities and different forms of illegal activities	Helicopter Unit	450,000			2009.
54. Combating Smuggling on the Danube waterway (procurement of 2 'Zodiac' Hurricane turnkey RI boats	Special Anti-Terrorist Unit	300,000			2009
55. Capacity building of the analytical service, specially for conducting of strategic analysis	Directorate for Analytics				2009
56. Provision of funds for education of the Unit for Protection – Equipping education cabinet and organization of education courses	Protection Unit	46,950		OSCE	2009.

- In October 2008 – Law on Foreigners was adopted

- October 23, 2008 – Law on State Border Protection was adopted ("Official Gazette of the Republic of Serbia", No. 97/08)
- October 23, 2008 – Law on Personal Data Protection was adopted ("Official Gazette of the Republic of Serbia", No. 97/08)
- Amendments to the Law on Travel Documents ("Official Gazette of the Republic of Serbia", No. 116/08)
- On the basis of the Law on Seizure and Confiscation of the Proceeds from Crime, a unit will be set up within the Police Directorate, and Criminal Police Directorate, for enforcement of Laws from the jurisdiction of the Ministry of Interior
- Draft of Strategy Proposal for Fight Against Organized Crime was produced. Ministry of Interior also participates in drafting Anti Drugs Strategy Proposal
- Draft Law on Traffic Safety on Roads was produced
- Draft Strategy for suppression of Illegal Migrations was produced, amended to take account of the opinion of the Secretariat for Legislation, to be forwarded to the General Secretariat of the Government.

3.15 Transport

Restructuring of the entire transport sector into a modern, safe and functional system is one of the most significant prerequisites for future economic development of the Republic of Serbia. Adequate transport infrastructure is a important factor for efficiency of the entire transport system, and also a key precondition for achieving sustainable economic and social development of the Republic of Serbia and its integration into EU. Also, transport is important factor of regional development and the use of comparative advantages of local environments since it links tourist and agricultural areas with economic centres.

The Republic of Serbia with its geographical position, at the crossroads of transport corridors VII and X, offer the shortest and most rational transit connections between central-European and west-European countries with those in the south of Europe, the Middle East and the Far East. A high level Group, established under the auspices of the European Commission, adopted its final report and identified five major multimodal axes as an extension of the trans-European transport network (TEN-T) towards neighbouring countries and regions. The Southeast European multimodal axis incorporates project proposals for Corridor X (road and railroad), Corridor VII and the multimodal platform of Metropolitan Belgrade.

On the bases of the REBIS study (Regional Balkans Infrastructure Study – 2003) West-Balkan countries signed in Luxembourg on 11 June 2004 also a *Memorandum of Understanding on the Development of the South East Europe Core Regional Transport Network*, aiming to develop transport infrastructure and enhance policy in the field of transport and envisages close cooperation of participants in the process in harmonization of transport procedures, technical standards, regulations and administrative provisions with EU standards and guidelines. In order to implement the Memorandum of Understanding, South-East Europe Transport Observatory (SEETO) has been established, with a standing Secretariat in Belgrade. In December 2007 the fourth multi-annual development plan for the South East European Core Regional Transport Network was adopted; it contains long-term investment needs of the West-Balkan countries for the period 2009-2013.

Starting from European Transport Policy and the Transport Development Strategy in the Republic of Serbia 2008-2015 (hereinafter: Strategy), the priority of the Government of Serbia is to continue, with financial support of the EU and international financial institutions, the construction of the road and railway infrastructure across the Republic of Serbia, as well as to establish necessary conditions for unhindered use of inland waterways, particularly on Danube and Sava river.

The Strategy defines the situation in the field of transport, the concept of development of infrastructure and transport; it defines long-term and short-term development goals of the transport system, as well as the Action Plan for realization thereof. Transport development is based on principles of safety, intermodality, implementation of modern technologies, complementary uses of all types of transportation and, above all, on the rational use of available capacities and resources in the state, for the benefit of all citizens of the Republic of Serbia. It is expected that in the course of 2009 the General Transport Master Plan for the Republic Serbia will be finalized – the project is financed by the EU, and it is managed by the Delegation of the European Commission, and is in fact an elaboration of the Strategy.

On the bases of the Strategy, which takes into account the development of the society, the commitment of the Republic of Serbia towards EU membership, sustainable development of the transport system and stable institutions, and respecting the vision of transport in the Republic of Serbia in 2015, the following **General Strategic Goals** were determined:

- 1) Transport network of the Republic of Serbia integrated into the Trans-European Transport Network
- 2) Efficient use of comparative advantages of any type of transport
- 3) Improved quality of transport system services.
- 4) Increased level of safety and security of the transport system
- 5) Strengthening of the transport market and gradual deregulation thereof
- 6) Reduced negative impact of transport upon the environment, in accordance with principles of sustainable development
- 7) Established stable financing of transport system development

The Government has in July 2008 made decision to establish the National Council for Infrastructure of the Republic of Serbia. The Council is a national body of the Republic of Serbia, charred by the President of the Republic of Serbia. The National Council coordinates and manages projects in the field of infrastructure, with the aim to accelerate economic and overall development of the Republic of Serbia.

The Government set as a national priority goal that the Republic of Serbia shall in the eight years succeeding 2008 (year 2015 inclusive) finalize to the maximum extent the construction of a capital

national transport infrastructure projects. Therefore, the Government adopted on 2 October 2008 the Conclusion by which the National Plan for the construction of the road and railroad infrastructure of the Republic of Serbia in the period 2008-2012 was approved.

In the previous period important reform goals in the field of transport were finalized with international support and assistance. The majority of them were road projects and railway transport projects. Primarily, those projects were financed through loans, as well as through assistance for the preparation of the feasibility study.

In February 2009 the Government adopted the Action Plan for construction of the road and railway Corridor X in 2009.

The Strategic Decision of the Government of Serbia on the continuation of works on the **road infrastructure for Corridor X** must be considered as absolute priority. Government's Action Plan defines the dynamic of works in 2009 which are financed from national and international sources.

For the Government of Serbia Corridor X is a priority project, which must be completed in the next two years in order to avoid the competing Corridor IV, passing through Bulgaria and Romania, gaining in significance. Until now 60 percent of the sections are completed, with a total of 835 kilometres passing through Serbia; to complete the works, it is necessary to ensure 1.7 billion EUR.

Railway Corridor X is also absolute priority for the Government of Serbia. For double-line railway traffic and speeds of 160 to 200 km/h on railway Corridor X a base line analyses for the realization of necessary activities for Analyses of project documentation readiness has been conducted. Preliminary value of the works is around four billion EURO. Analyses of project documentation readiness have been conducted Negotiations with international financial institutions about financial resources are ongoing Apart from this, capacity building project for Ministry of Infrastructure were implemented, as well as projects aimed at restructuring public enterprises in the field of transport.

The following Table contains a survey of the most important projects in the period 2001-2007.

Table 56. Major projects in the transportation sector 2001-2007

Title of program/project	Value	Funded by	Status
1. Loan for the railway rehabilitation project EIB1	70,000,000 EUR	EIB	Completed
2. Yugoslav Railways – Project for Reconstruction, Railway Transport Enterprise (ZTP) Belgrade	2,600,000 CAD	Canada	Completed
3. Procurement of 93 busses for public transport enterprise, Belgrade	15,200,000 USD	Japan	Completed
4. Reconstruction of Nis Airport (2002)	2,550,000 EUR	Norway	Completed
5. Reconstruction of Nis Airport (2003)	13,500,000 NOK	Norway	Completed
6. Twinning project between the Road Directorate and the Swedish Road administration	14,000,000 SEK	Sweden	Completed
7. Loan for the European roads project B	120,000,000 EUR	EIB	Ongoing
8. Loan for the modernization and improvement of the flight control management system project	33,500,000 EUR	European Bank for Reconstruction and Development	Ongoing
9. Loan for the rehabilitation of roads and bridges project B1	33,000,000 EUR	EIB	Ongoing
10. Loan for the Belgrade urban renewal project	90,000,000 EUP	EIB	Ongoing
11. Loan for the renewal of roads of the Republic of Serbia project	72,000,000 EUR	European Bank for Reconstruction and Development	Ongoing
12. Loan for the reconstruction of railways project EBRD1	57,000,000 EUR	European Bank for Reconstruction and Development	Completed

Title of program/project	Value	Funded by	Status
13. Loan for the urgent traffic rehabilitation project	50,000,000 EUR	World Bank (IBRD)	Ongoing
14. Loan for rehabilitation of infrastructure for flight control project	34,000,000 EUR	European Investment Bank	Ongoing
15. Support to PE "Roads of Serbia"	1,300,000 EUR	European Commission CARDS 2004	Completed
16. Traffic rehabilitation project	55,000,000 USD	World Bank	Completed
17. Rehabilitation of priority sections on Belgrade roads	4,500,000 EUR	European Commission CARDS 2004	Ongoing
18. Feasibility study for the road Loznica–Novi Sad	1,200,000 EUR	European Commission CARDS 2004	Completed
19. Feasibility study for the road section Belgrade – Montenegrin border	1,500,000 EUR	European Commission CARDS 2003	Completed
20. Feasibility study for the bypass highway around Belgrade	1,000,000 EUR	European Commission CARDS 2003	Completed
21. General Plan for inland waterway transport in the Republic of Serbia	2,000,000 EUR	European Commission CARDS 2003	Completed
22. Reconstruction of Sloboda Bridge in Novi Sad	40,000,000 EUR	European Commission CARDS 2002	Completed
23. Integrated plan for socio-economic development based on rehabilitation of the middle part of the Danube basin and the system of inland waterways of the Republic of Serbia	1,000,000 EUR	European Commission CARDS 2004	Ongoing
24. Capacity building of the Ministry of Capital Investments and other relevant institutions	3,000,000 EUR	European Commission CARDS 2004	Completed
25. Twinning project – harmonization of legislation with <i>acquis communautaire</i>	1,500,000 EUR	European Commission CARDS 2006	Completed
26. Improving railway transport within the Railway Transport Enterprise (ZTP) Belgrade	1,720,000 CHF	Switzerland	Ongoing
27. IMOD X – Intermodal solutions for competitive transport in the Republic of Serbia	372,000 EUR	Norway	Completed
28. Preparation of the strategy for development of the PPP model for construction of highways in the Republic of Serbia	260,000 EUR	Canada	In final stage
29. Loan for the railway reconstruction project EIB 2	80,000,000 EUR	EIB	Agreement signed
30. Loan for the railway reconstruction project (vehicles) EBRD 2	60,000,000 EUP	European Bank for Reconstruction and Development	Agreement signed
31. Project of compiling of compensation regimes for use of railway infrastructure and for the catalogue containing network data	300,000 USD	World Bank Donation	Completed
32. Assistance for restructuring of PE "Railways of Serbia"	300,000 EUR	European Bank for Reconstruction and Development	Agreement signed
33. General Transport Master Plan	2,200,000 EUR	CARDS 2005	Ongoing

Title of program/project	Value	Funded by	Status
34. Technical study and tender documents for the Belgrade railway junction	2,000,000 EUR	CARDS 2005	Stopped

Road traffic – The Republic of Serbia has a rather well developed road network regarding density and road-surface pavement when compared with countries of Central and South-East Europe. The road network ranges from 30m above sea level (Negotin) up to 1,700m (Golija). It is estimated that 40% of the road network is at an altitude of over 600m. Asphalted state roads of I and II category were constructed in the period 1962-1985. The road network consists of 5,525km of main roads (I category state roads), (634 km of highways and semi-highways), 11,540km regional roads (II category state roads) which are within the competences of the Public Enterprise "Putevi Srbije" ("Roads of Serbia") and 23,780km of local roads which are within the competences of local self-government. Out of the entire road network 2/5 sections are crushed stone roads and earth roads. In the Republic of Serbia 32% of I and II category roads are over 20 years old, and only 14% up to 10 years. The major part of the road network of I category state roads (96.4%) and II category state roads (79.4%) is asphalted. The roads of the Republic of Serbia (without Kosovo) include 2,638 bridges – 215 bridges on highways, 966 bridges on I category state roads, 1,427 bridges on II category state roads – with different spans ranging from 5 to 2,212 m. The roads include also 78 tunnels, with a total length of 10,053m. Due to long-lasting insufficient investment into road maintenance and reconstruction the present state of the road network is not satisfactory. The major part of the road infrastructure in the territory of the Republic of Serbia (2,150 m) belongs to international routes E-75, E-70 and E-80, which are also part of the Pan-European Corridor route. Road traffic priorities are the following:

1. Completion of the Belgrade bypass
2. Completion of the highway Nis-Dimitrovgrad
3. Completion of the highway Leskovac-Macedonian border
4. Completion of the highway Belgrade-Novı Sad-Horgos/Hungarian border/ and the construction of the new bridge at Beska
5. Construction of the highway Belgrade-Pozega
6. Construction (improvement) of the network of regional roads (highway Kragujevac-Batocina; semi-highway Kikinda-Novı Sad-Sremska Mitrovica-Sabac-Loznica; semi-highway Pozarevac-Kucevo-Majdanpek-Negotin (M25); Pancevo-Vrsac (highway)

Sections of Corridor X shall be proposed and promoted for concessions in order to get new foreign loans, as well as partnership agreements between the public and the private sector.

Railway traffic – the Republic of Serbia has a railway network of 3,809km, out of which 7.2% are double-track. It is of sufficient capacity, but it falls behind standards of European countries regarding electrification of the network, the length of double-track railways and regarding maximum allowed speed and axis load; these are the reasons why it needs modernization. Because of the bad technical shape of the elements of the upper and lower railway part, allowed speed is 20-40 km/h along 162km of railways, which is 4% of the total railway length. Electrified has been only 32.7% of the network. The rolling stock is technologically outdated obsolete, in an unsatisfactory condition, insufficient in numbers and with high degrees of immobilization. Pursuant to the new Law on Railways, reorganization of this type of traffic leaves the railway transport infrastructure in state ownership, and traffic organization and management shall be prepared for the arrival of competition. In the next three years the technical and technological modernization of railway infrastructure shall continue, primarily along Corridor X, as well as of the rolling stock. Accordingly, the most important task of the Government is to modernize and electrify the railway lines, which shall contribute to a better and more stable business operation of the railways. For these purposes funds of international financial institutions shall be used.

River traffic – the Republic of Serbia has an outstandingly developed network of waterways and canals, with around 1,600 km of waterways: river Danube 588km, river Tisa 164km, river Tamis 41km, and HS DTD (multipurpose hydro-system containing 12 waterway canals) 599km. The Danube and the Tisa represent a direct link with the arterial waterway Rhine-Main-Danube. The Republic of Serbia has some 1,000km of internal waterways which enable transportat with modern vessels. Implementation of modern river information services shall intensify the exchange of geographic data and shall establish closer cooperation among states in managing the Danube waterway. We consider, as a continuation of the RIS on Danube, also possibilities for the development of the River Information Services on the river Sava, as well as the introduction of the system of radio connections on inland waterways.

The river and road transport can be interconnected at more dozens of locations. This potential is not sufficiently used for transport, having in mind that water traffic is first of all safer, more economical and ecologically more acceptable when compared with other types of transport modes. The most important

harbours in the Republic of Serbia (Belgrade, Novi Sad, Apatin, Pancevo, Smederevo and Prahovo) are situated at the crossing points of the pan-European Corridors VII and X.

In view of the significance of water transport for certain economic regions and industrial centres in Serbia the Sava river is also very important. Sava is connecting four states: Slovenia, Croatia, Bosnia-Herzegovina and Serbia. River Sava is the biggest tributary of the arterial water way the Danube, through which it is connected with the network of European waterways. Therefore it was initiated to re-establish the Harbour's Office in Sabac and to prepare the Feasibility Study and the General Project for the international harbour in Sabac.

Naturally, in support of faster developing of overall awareness on the significance of water transport, initiated was the formation of an organization which shall deal with the development and promotion of inland water transport.

The Ministry of Infrastructure's Sector for Water Traffic and Security of Navigation is facing numerous problems, because of that up to now insufficient funds were allocated. The maintenance of the transport infrastructure of inland waterways in the Republic of Serbia was receiving dozens of times smaller funds per kilometre of river than is the case in other European countries. However, presently it is not simple to transfer cargo transport to Serbia's rivers, first of all the Danube. The prerequisite is upgrading of the river fleet (over thirty years old), the creation of conditions for a safe and unhindered navigation (realization of priority projects) and the adoption of legislation (pending).

Air traffic – the Republic of Serbia has three airports equipped for passenger traffic – in Belgrade, Nis and Pristina. Apart from these civil airports there are also military airports Ponikve (Uzice), Ladjevci (Kraljevo) and Sombor and there is a plan to adjust them for passenger traffic. The airport "Nikola Tesla" Belgrade is owned by the Republic of Serbia. Since it satisfies navigational and spatial requirements, it tends to develop into a regional air traffic centre. The infrastructure and equipment are functional, but the capacities are not satisfactory. This airport aims to ensure the position of a significant transit centre, particularly for cargo traffic. Therefore, it is necessary to build another runway, a business centre, hotel, etc. The national air carrier JAT is operating on a reduced and economically weakened market, with a surplus of capacities and employees, organizationally not adapted to new conditions, with a fleet which is oversized and outdated, and also burdened with debts; it is forced to start anew its inclusion into international air traffic. In order to reach competitiveness, the basic goal of this national carrier is to renew the outdated fleet.

Intermodal transport – the development of intermodal transport in the Republic of Serbia is in its initial phase. The terminal for intermodal transport is a precondition for the development of modern transportation and distribution technologies. In the Republic of Serbia there are partly developed terminals for intermodal transport at the terminal of Railway Transport Enterprise Belgrade ("daughter company" of "Railways of Serbia") and in "Belgrade" port. In the forthcoming period adequate attention shall be given to the strengthening of the institutional framework and the development of a study of advantages of this type of transport mode. Conditions shall be created for a broader introduction of combined railway-road transport with a particular role to be played, apart from relevant institutions, by "Srbijakombi" – the newly established "daughter company of PE "Railways of Serbia" Ltd. for intermodal transport – as the first operator for intermodal transport in the Republic of Serbia. Ratification of the AGTC agreement (European agreement on Important International Combined Transport Lines and Related Installations) enables a systemic approach to the reconstruction, construction and equipment of railways which are of major international importance, to the terminal for intermodal transport, border crossings and other infrastructure. Also, the Strategy stresses clearly the commitment and role which the state shall play in the development of intermodal transport by stimulating measures which will make it easier to develop intermodal transport so as to promote such transport which is more economical for the society and to create alternatives for road cargo transport.

In the forthcoming period the Government plans to intensify the process of restructuring public enterprises – JAT Airways, Belgrade Airport, PTT Serbia, Railways of Serbia – in which the pre-privatization phase is completed.

Having in mind the high social and other costs of restructuring, international assistance shall have significant impact in this segment. The acceleration of reforms in the field of transport will not be possible without international financial institutions and bilateral donors. In the previous period several important projects were financed, such as: Project for Reconstruction of the Sloboda Bridge in Novi Sad (with support from the European Agency for Reconstruction), Project for Reconstruction of the Railway Bridge Erdut-Bogojevo with donations from the Government of the Kingdom of Belgium and the Government of the Kingdom of Norway; bilateral agreements related to railway and intermodal transport with the Republic of Bulgaria and the Republic of Croatia; multilateral agreements on railway and intermodal transport.

The following table presents priority projects and programs, identified by the Ministry of Infrastructure (MI), which should contribute to the implementation of the above mentioned goals in the field of transport.

Table 57. List of priority projects of the Ministry of Infrastructure – Sector for Transport

a) Projects related to strengthening of capacities

Project title	Competent institution	Assessed project value (million €)	Data on financial sources		Planned beginning of project realization
			Own funds	External financial sources	
1. Technical assistance for support to implementation of infrastructural projects in the Republic of Serbia and supervision of the reconstruction of the Zezelj Bridge and PIU in Roads of Serbia	Ministry of Infrastructure	4.0		IPA 2008	2010
2. Serbian ITS master plan (SIMPA)	Ministry of Infrastructure	1.5		donors	Mid-2009
3. Strengthening capacities of the Ministry of Infrastructure related to road traffic security	Ministry of Infrastructure	2		World Bank	Mid-2009
4. Preparing the protocol on monitoring data significant for managing traffic security	Ministry of Infrastructure	0,1		World Bank	Mid-2009
5. Improving and developing databases and exchange of information relevant for traffic security	Ministry of Infrastructure	1		donors, World Bank	Mid-2009
6. Preparing the strategic document on traffic safety and related documents on the implementation and monitoring of strategy goals.	Ministry of Infrastructure	0.8		donors, World Bank	Mid-2009
7. Preparation and implementatio of multi-sectoral pilot studies on traffic safety	Ministry of Infrastructure	1.5		donors, World Bank	2009

Project title	Competent institution	Assessed project value (million €)	Data on financial sources		Planned beginning of project realization
			Own funds	External financial sources	
8. Preparation of strategic documents with guidelines for managing local road network	Ministry of Infrastructure	0.1		donors, World Bank	Mid-2009
9. Analysis of high-risk road sections in the network of state roads network of the Republic of Serbia where the roads cross the railways	Ministry of Infrastructure, PE «Roads of Serbia» and PE «Railways of Serbia»	1.5		donors	2009
10. Feasibility Study for the introduction of airborne ambulance	Ministry of Infrastructure, Ministry of Interior, Ministry of Health	1		donors, Norway	2009
11. Twinning Project for the establishment of a road land cadastre of the Republic of Serbia	PE «Roads of Serbia»	3		donors	2009
12. Feasibility Study for the construction of the highway E-761/M-5/Pojate–Kraljevo – Preljina–Pozega–border with Federation of Bosnia-Herzegovina/Kotroman/	PE «Roads of Serbia»	1.7		donors	2009
13. Master Plan for the development of the road network in underdeveloped parts of the Republic of Serbia	PE «Roads of Serbia»	1.5		donors	2009
14. Study: Proposal of measures and activities for regular tunnel maintenance	PE «Roads of Serbia»	0.05		donors	2009
15. Study on the proposal of urgent measures for increasing traffic safety in tunnels	PE «Roads of Serbia»	0.03		donors	2009
16. Testing resistance of concrete to frost and salt depending on the type of cement used	PE «Roads of Serbia»	0.03		donors	2009

Project title	Competent institution	Assessed project value (million €)	Data on financial sources		Planned beginning of project realization
			Own funds	External financial sources	
17. Directives for designing and implementation of hydro-isolation activities and pavement on bridges	PE «Roads of Serbia»	0.03		donors	2009
18. Feasibility Study and Master Plan for defining bicycle corridors in the Republic of Serbia	Ministry of Infrastructure, Ministry of Economy and Regional Development, PE «Roads of Serbia»	0.5	10,000 €	490,000 €	2009
19. Compiling national legislation for the application of European standards (EUROCODE) for constructions	PE «Roads of Serbia»	1.3	65,000 €	1,235,000 €	2009
20. Drafting of national legislation for hydro-carbon adhesives in line with European standards	PE «Roads of Serbia»	0.8	60,000 €	740,000 €	2009
21. Compiling national legislation regarding construction materials in civil engineering in line with European standards	PE «Roads of Serbia»	2	100.000 €	1,900,000 €	2009
22. General project for highway, section Bubanj Potok – Vinca – Pancevo – Banatsko Novo Selo	Ministry of Infrastructure	1	1 mil. € NIP		2009
23. General project for the bridge over the Danube at Vinca	Ministry of Infrastructure	1	1 mil. € NIP		2007-2008
24. Study on the development of the road network in the Republic of Serbia	Ministry of Infrastructure	2		donors	2010
25. Enhancement of corporate communication of the company	JAT	0.025		donations, co-financing	2009
26. Training of staff in accordance to „EASA“ regulation	JAT	0.2		donors	2009
27. IATA management training	JAT	0.065		donors	2009

Project title	Competent institution	Assessed project value (million €)	Data on financial sources		Planned beginning of project realization
			Own funds	External financial sources	
28. Implementation of software for access to MIDT data	JAT	0.07		donors	2009
29. Implementation of the electronic card	JAT	0.04		donors	2009
30. Transformation and strategy for human resources restructuring	JAT	0.15		donors	2009
31. Balkan Academy for training of aviation technical personnel (BATA)	Ministry of Infrastructure	8		donors	2009
32. Functional improvement of air space at the Airport "Nikola Tesla"		7		donations, co-financing	2009
33. Preparation project and tender documentation for the dredging of critical sections of the Danube River	Ministry of Infrastructure and Directorate for Inland Waterways – Plovput	2.0		IPA 2009	2011
34. Solution for management of ship waste on the Danube (3 stations) which would also solve communal problems on navigational routes	Ministry of Infrastructure	3		donations, loans, co-financing	2009
35. Preparation of project documentation and the construction of docks (4) for the needs of harbours' offices and for input-output revisions	Ministry of Infrastructure	1 4		donations, loans, co-financing	2009
36. Developing the Feasibility Study and the General project for the International harbour "Sabac Free-Zone"	Ministry of Infrastructure	0,5		donations	2009
37. Project documentation and implementation of River Information Services on river Sava	Ministry of Infrastructure	0.5		donations	2011

Project title	Competent institution	Assessed project value (million €)	Data on financial sources		Planned beginning of project realization
			Own funds	External financial sources	
38. Establishing of the Agency for Development and Promotion of inland waterways	Ministry of Infrastructure	0,5		donations	2009
39. Preparation of project documentation and reconstruction of winter ship shelters (5) on the Danube according to international standards	Ministry of Infrastructure	2 20		donations, loans, co-financing	2010
40. "Continuation of the Twinning Project – Harmonization with transport <i>acquis communautaire</i>	Ministry of Infrastructure	1,5		IPA 2008	2009/2010
41. Procurement of mobile container manipulators – 10 pieces	PE „Railways of Serbia”	10		donations, loans, co-financing	2009-2010
42. System for analysing the condition of railways /Track assessment	PE „Railways of Serbia”	3		IPA 2008	2009-2010
43. Education of employees in PE „Railways of Serbia” for market efficiency through increased competitiveness, reliability of infrastructure and reliability of rolling stock	PE „Railways of Serbia”	2,5		donors	2009
44. Concept of efficiency increase in maintaining railway infrastructure and harmonization` with European Directives	PE „Railways of Serbia”	2,5 million		donors	2009
45. Institutional stabilization and functional transformation of the Railways Directorate as the regulatory and body responsible for safety control (implementation of EU Directives).	Railways Directorate	1		donors	2009
46. Facilitating the intermodal transport in the Republic of Serbia	Ministry of Infrastructure	2		IPA 2008	I quarter 2010

Project title	Competent institution	Assessed project value (million €)	Data on financial sources		Planned beginning of project realization
			Own funds	External financial sources	
47. Intermodal network between Serbia and the Netherlands	Ministry of Infrastructure	0.13		Program of the Government of the Netherlands G2G	I quarter 2009
48. Strengthening managerial capacities of the Ministry of Infrastructure	Ministry of Infrastructure			Program of the Government of the Netherlands G2G	I quarter 2008
49. Market research for intermodal transport to/from Belgrade in the towards of Central Europe via Austria	Ministry of Infrastructure	1,5		Within the bilateral commission Austria-Serbia	I quarter 2008
50. Implementation of Directive 2001/16/EC in the case of „Railways of Serbia” with the aim to reach interoperability with European railroads	PE „Railways of Serbia”	1		donors	2009
51. Development concept for railways in the Republic of Serbia	PE „Railways of Serbia”	1,5		donors	2009
52. Concept of increase of efficiency in maintaining the infrastructure of the PE „Railways of Serbia” and harmonization with European directives	PE „Railways of Serbia”	1,5		donors	2009
53. Risk management system for transportation of hazardous material, oversized shipment and video-monitoring on railways	PE „Railways of Serbia”	10		donors	2009
54. Reduction of waiting times for trains on railway border crossings and harmonization with European Directives	PE „Railways of Serbia”	29		donors	2009
55. Capacity building for introduction and implementation of rules on professional expertise of the carrier	Ministry of Infrastructure	0.5-1		donors	2009

Project title	Competent institution	Assessed project value (million €)	Data on financial sources		Planned beginning of project realization
			Own funds	External financial sources	
56. Measuring stations – better implementation of the legal framework for testing freight vehicles and busses for their eligibility to operate on roads	Ministry of Infrastructure, Ministry of Interior	0.5-1		donors	2009
57. Preparation and development of programmatic package for support to the administration in harmonizing regular routes in internal passenger transport and linking with existing database on vehicle stocks	Ministry of Infrastructure	1		donors	2010
58. Linking databases of the Ministry of Infrastructure, Customs Administration and the Ministry of Interior with the aim to facilitate control over the flow of road transport in national and international traffic	Ministry of Infrastructure, Ministry of Interior, Customs Administration	1		EU, donors	2010
59. Development Study for road traffic in Serbia	Ministry of Infrastructure	1		EU, donors	2010
60. Initial training for sport pilots	Ministry of Infrastructure	0,8		donors	2009
61. Study and development project for wind generators	Ministry of Infrastructure	0,2		donors	2009
62. Development Study for controlling meteorological conditions for the aircrafts	Ministry of Infrastructure	0,3		donors	2009
63. Introduction and operation of digital tachograph systems in the Republic of Serbia	Ministry of Infrastructure	1,73	NIP	donors	2009
64. Preparing the feasibility study, project design and main project for the highway Belgrade – Vrsac – Romanian border and its connection to Corridor X	Ministry of Infrastructure, PE "Roads of Serbia"	10		IPA 2009	2010

Project title	Competent institution	Assessed project value (million €)	Data on financial sources		Planned beginning of project realization
			Own funds	External financial sources	
65. Feasibility Study of technical measures for reduction of hazardous impact of roadway noise on selected sections of state roads	PE "Roads of Serbia"	0,25		donors	2009
66. Support to implementation of ECAA in air transport	Civil Aviation Directorate	2		IPA 2007	2009/2010
Investment projects					
1. Supervision – construction of the section of the bypass highway around Belgrade "sector 0, Batajnica – Dobanovci", and access roads	PE «Roads of Serbia»	1,8		EAR	2009
2. Supervision – construction of the section of the bypass highway around Belgrade sector "Ostruznica – B. Potok"	PE «Roads of Serbia»	1,5		EAR	2009
3. Supervision – reconstruction of the "Gazela" bridge and the section of the road E75: airport "Nikola Tesla" – Bujanj Potok	PE «Roads of Serbia»	1,9		EAR	2009
4. Construction of the section of the bypass highway around Belgrade "sector 0, Batajnica – Dobanovci" and access roads	PE «Roads of Serbia»	115		EIB - 60,000,000 EBRD - 55,000,000	2009
5. Construction of the section of the bypass highway around Belgrade sector "Ostruznica – B. Potok"	PE «Roads of Serbia»	180	30 million € NIP	150 million €	2008-2011
6. Reconstruction of the road E75, sections "Zmaj – Gazela" and "Gazela/Bujanj Potok"	PE «Roads of Serbia»	40		40 million €	2009

Project title	Competent institution	Assessed project value (million €)	Data on financial sources		Planned beginning of project realization
			Own funds	External financial sources	
7. Reconstruction of the Gazela Bridge	PE «Roads of Serbia»	32.5	7.5 mill. € City of Belgrade	25 million € EIB	2009
8. Construction of the southern sector of Corridor X: - sector Lajkovac-Macedonian border, E-75 - sector Nis – Dimitrovgrad, E- 80	Ministry of Infrastructure	470 450	98 million € NIP	100 million € Hellenic plan	2009
9. Modernization of border crossings (Ribarci, Gradina, Batrovci, Presevo and crossings with Romania)	Ministry of Infrastructure	10.5	6 million € NIP	4.5 million €	2007-2011
10. Zezelj Bridge – reconstruction	Ministry of Infrastructure	60	50% Vojvodina and the city of Novi Sad	50% IPA2009	2011
11. Adaptation of the regional airport "Ponikve": demining; construction; and modernization		1,465	NIP 1,465,000	donations, loans, co-financing	2009
12. Adaptation of the regional airport "Ladjevci" – demining – construction and modernization		1,5		donations, loans, co-financing	2009
13. Modernization of the airport Nis "Constantine the Great"		5		donations, loans, co-financing	2009
14. Supervision and cleansing Danube river bed of sunken vessels from World War II (Prahovo area)/Removal of sunken vessels	Ministry of Infrastructure	12		IPA 2010.	2012
15. Dredging and training works the Danube river(15 sections), priorities: Apatin and Beska	Ministry of Infrastructure and the Directorate for Inland Waterways – Plovput	45 total 11		Donations, loans, co-financing.	2011

Project title	Competent institution	Assessed project value (million €)	Data on financial sources		Planned beginning of project realization
			Own funds	External financial sources	
16. Dredging and training works the river Sava (6 sections), priorities: Mrdjenovac and Kamicak	Ministry of Infrastructure and Directorate for Inland Waterways – Plovput	45 1		donations, loans, co-financing	2011
17. Supervision and removal of unexploded ordinances along critical sections on the Danube river (nominated in IPA 2009, together with Project No. 46)	Ministry of Infrastructure	0,5 3,5		IPA 2009	2011
18. Reconstructions of two water locks – Djerdap 1 and 2 – and monitoring of works	Ministry of Mining and Energy and Ministry of Infrastructure	90 + 4		50% MFI 50% grant	2009-2014
19. Reconstruction of three port offices (Kladovo, Smederevo and Prahovo)	Ministry of Infrastructure	3		donations, loans, co-financing	2009
20. Modernization of arterial railroad Belgrade-Nis (rehabilitation with the aim to eliminate slow zones and rehabilitate telecommunication, electric traction and safety signal facilities with the aim to increase safety levels)	PE „Railways of Serbia”	30		donations, loans, co-financing	2009-2010
21. Modernization of the arterial railroad (Belgrade) Stara Pazova – Novi Sad – Subotica – Hungarian border (rehabilitation with the aim to eliminate slow zones and rehabilitate telecommunication, electric traction and safety signal facilities with the aim to increase safety levels)	PE „Railways of Serbia”	13		donations, loans, co-financing	2009-2010
22. Modernization of the arterial railroad (Belgrade), Batajnica, St. Pazova – Golubinci – Sid – border with Croatia	PE „Railways of Serbia”	10		donations, loans, co-financing	2009

Project title	Competent institution	Assessed project value (million €)	Data on financial sources		Planned beginning of project realization
			Own funds	External financial sources	
23. Modernization of the railways of the Belgrade railway junction (rehabilitation of the rails with the aim to eliminate slow zones and rehabilitate telecommunication, electric traction and safety signal facilities with the aim to increase safety levels)	PE „Railways of Serbia”	21		Donations, loans, co-financing.	2009-2010
24. Modernization of the arterial railway Nis – Dimitrovgrad – border with Bulgaria (modernization of railways and station tracks; electrification and electric power equipment for railways; safety signalization and telecommunication facilities)	PE „Railways of Serbia”	66		donations, loans, co-financing	2009-2010
25. Modernization of the arterial railway Nis – Presevo – Macedonian border (rehabilitation of the tracks with the aim to eliminate slow zones and rehabilitate telecommunication, electric traction and safety signal facilities with the aim to increase safety levels)	PE „Railways of Serbia”	15		Donations, loans, co-financing.	2009-2010
26. Modernization of the arterial railway Belgrade – Pozega – Vrbnica (rehabilitation of tracks in order to eliminate slow zones and rehabilitate telecommunication, electric traction and safety signal facilities with the aim to increase safety levels)	PE „Railways of Serbia”	17		Donations, loans, co-financing.	2008-2009

Project title	Competent institution	Assessed project value (million €)	Data on financial sources		Planned beginning of project realization
			Own funds	External financial sources	
27. Rehabilitation and modernization of the arterial railway Lapovo – Kraljevo – Lesak – Macedonian border	PE „Railways of Serbia“	17		Donations, loans, co-financing.	2009-2010
28. Railway freight terminal Belgrade nearby the Belgrade shunting yard	PE „Railways of Serbia“	91		donations, loans, co-financing	2009-2010
29. Reconstruction of the tunnel for UIC-c free profile on arterial railways for all technologies related to intermodal transport.	PE „Railways of Serbia“	11		donations, loans, co-financing	2009-2010
30. Aid for renewal of sport airports	Ministry of Infrastructure	1,2		donors	2009
31. Establishment of a centre for fire protection and patrolling	Ministry of Infrastructure	2,0		donors	2009
32. River Information Services (RIS) and supervision		11		IPA 2007	2009/2010
33. Supervision of works on the bypass highway around Belgrade, section B: Dobanovci – B. Potok	Ministry of Infrastructure	3,5		IPA 2007	2009
34. Supervision of works on the Corridor X, section B: Dobanovci – B. Potok	Ministry of Infrastructure and Koridor 10 L.L.C	10		IPA 2010	2011

3.16. Telecommunication and Information Society

The field of telecommunications is governed by the Law on Telecommunications which was passed in April 2003 in line with *Acquis Communautaire* (regulatory framework of the EU), providing grounds for forming an independent regulatory body – the Government Telecommunications Agency (RATEL) and the division of responsibilities between the Ministry and RATEL has been determined. RATEL became operative in August 2005 and its role is to regulate the telecommunications market of the Republic of Serbia on the principles of objectivity, non-discriminatory approach and transparency. The aim is to provide for a liberalization of the telecommunications market and to create conditions for efficient competition.

The Government of the Republic of Serbia passed five strategic documents for the area of postal services, telecommunications and information society: Strategy for the Development of Telecommunications in the Republic of Serbia from 2006 to 2010, Strategy for the Development of Broadcasting in the Republic of Serbia by 2013, Strategy for the Information Society Development,

Strategy for the Development of Postal Services in Serbia, as well as a Strategy for Transition from Analogue to Digital Broadcasting of Radio and Television Program in the Republic of Serbia with the Action Plan.

These strategies comprise legal, institutional, economic and technical aspects of development in the area of postal services, telecommunications and information society and represent a basis for an accelerated development of postal and telecommunications services market and the development of postal, telecommunications and information infrastructure.

Preparation of a draft of Law on Electronic Communications is in final phase, aiming at establishing and implementing an advanced legislation that will be harmonized with the regulatory framework of the European Union in the area of electronic communications and information society (2002), with the purpose of liberalization electronic-communication sector. It is planned that draft of Law on Electronic Communications will be in Parliament by the end of December 2009.

In order to achieve universal service provision Ministry of telecommunication and information Society has adopted Regulation on determining initial services for universal access service.

The situation in the area of telecommunications and information society in the Republic of Serbia is as follows:

- There is only one operator in public fixed telecommunication network, company *Telekom Srbija*, that is licenced for construction, ownership and exploitation public land-line telecommunication network and provision of public fixed telecommunication services. The network itself is characterized by a still high number of shared lines, penetration of fixed telephony reached 41,14% (Agency data) which is above regional average. Digitalization of the fixed network is 93,3% (resource CULLEN INTERNATIONAL Januar 2008) and small number of broadband lines (internet, cable and ADSL). Regarding the internet access in the Republic of Serbia, the most common form till 2008 is dial-up access. This type of access is mostly carried out through the SMIN (Serbian Multiservice Internet Network) network of *Telekom Srbija* which is used by all ISP's in the Republic of Serbia. The *Telekom Srbija* network has the required capacity for broadband access to the internet by way of ADSL modem which is installed at the end user's point of access. Owing to development of telecommunication in broadband internet approach the number of broadband users is in constant rise and in 2008 exceeded the number of dial up users.
- The Ministry of Telecommunication and Information in February 2009 brought Rule book on number of licences, period in which licence is valid, minimal conditions for issueing and minimal one-time fee that is charged when licence is issued for public telecommunication network in frequency range 411.875-418.125/421.875-428.125 mhz. Based on this agency issued 2 licences, that will solve problem of phone connectors in most underdeveloped areas of Republic of Serbia, making available for the population in these areas to use Internet by the speed of 128/64 kb/s.
- The public mobile telecommunication network market is liberalized and there are three operators: *Telekom Srbija*, *Telenor* and *VIP mobile*. The number of mobile phone users in 2008. is 9,62 million (agency source)
- The cable distribution network market is also liberalized and in 2008 there were 79 service providers in this area. Development of the cable network is extremely dynamic and at the moment there is 922 thousand registered users.
- In the area of broadcasting the PE Radio Television of Serbia has been transformed into the Serbian Broadcasting Agency and the Vojvodina Broadcasting Agency which operate as public broadcasting services.
- The Ministry of Telecommunication and Information Society makes efforts in the area of information society to meet the goals outlined in the *Lisbon Strategy*, namely "transition to a knowledge-based economy requiring more and better coordinated efforts in various areas such as education, research and innovation". The major focus is on the implementation and development of e-government as the reform and modernization of public administration based on wide application of information and communication technologies (ICT) represents of the key element of overall transition of the Republic of Serbia to a modern information society. Development of a regulatory environment for the implementation and development of electronic business is in progress, including a legal framework for use and transmission of electronic documents in legal circulation, in administrative court and other procedures, in e-commerce, in combating high technological crime, etc. The following activities are also in progress: implementation of the Electronic Signature Law, Law on Personal Data Protection, as well as preparations for passing by-laws based on the new Law on Public Purchases, which will define in more detail the system of electronic public purchases.

- Educational system needs to be adapted to provide efficient education on all levels, and since wide application of ICT became critical in many occupations, knowledge on how to use ICT efficiently should be an integral part of educational programs.
- Developed legal framework, harmonized with EU legislation and valid acts of World Postal Union and principles of World Trade Organisation is a precondition for:
 - assuring continuity in carrying out classical postal services, in respect for principles of business efficiency and effectiveness.
 - development and introducing new generation services, that originate from results of using the best effects in the area of postal traffic. Information-communication technologies, electronic communication and logistics

With respect to postal transactions, activities are undertaken to improve the regulatory framework with a view to providing efficient postal services. Significant acts were passed, defining basic orientation and establishing the course of development in the area of postal services in the Republic of Serbia, namely:

- Basis for the Preparation of the Strategy for Postal Service Development
- Strategy for the Development of Postal Services in the Republic of Serbia with the accompanying Action Plan for implementation of Strategy. In the following period Strategy and Action Plan will be revised so that they reflect current trends in postal service development.
- Law on Confirming the Act of the Universal Postal Union from the 23rd Congress in Bucharest
- Law on Confirming the Act of the Universal Postal Union from the 24th Congress in Bucharest
- Proposal of Changes and Amendments to the Law on Postal Services which is harmonized with the EU Directive 2002/39/EC and adopted by the Serbian Government.

The Government Agency for Postal Services was founded under Article 65 of the Law on Postal Services, as an independent regulatory body, and it has been entrusted with the job of passing by-laws. The Government Agency has not started with its activities as the Council of the Agency has not been elected yet. In the meantime Government has passed Decision on appointment of members of the Council of the Agency.

The priority areas for the development of telecommunications and information society are the following:

a) Regulatory framework

- Improvement of the regulatory framework in the area of telecommunications and information society and harmonization with the new regulatory framework of the EU.

The existing Law on Telecommunications and Law on Postal Services are harmonized with the 1998 regulatory framework of the EU. Considering the activities which are being implemented regarding the harmonization of our legislation with the EU legislation (*Acquis Communautaire*) in the process of joining the EU, it is necessary to improve the regulatory framework in the area of postal services, telecommunications and information society in line with the new regulatory framework of the EU. Since the priority is to provide full liberalization of the electronic-communication sector, the preparation of the Law on Electronic Communications, harmonized with the 2002 electronic communications' regulatory framework of the European Union, is expected to be adopted in December 2009.

Digitalization of the broadcasting system in the Republic of Serbia is implemented under the GE06 Agreement that the Republic of Serbia signed with the International Telecommunication Union (ITU). The Agreement stipulates that at the latest by 17 June, 2015 the switchover from analogue to digital broadcasting of radio and television program should be completed in Europe.

Strategy for switchover from analog to digital broadcasting of radio and television program in Republic of Serbia with the Action Plan has been adopted in Government of Serbia on 2nd of July 2009, while 4th of April 2012 has been set as a date for total switchover to digital land broadcasting of television program in Republic of Serbia. The Ministry of Telecommunication and Information Society took over, based on Action Plan, obligation to develop Internet portal on digitalization process as well as financial plan for procurement and distribution of STBs. Moreover it is envisaged to prepare Law on confirmation of Final Acts of Regional Conference on radiobroadcasting for planning digital land radiodiffusion service in parts of Region 1 and 3 in frequency range 174-230 MHz and 470-862 MHz (RRC -06). The Government of Republic of Serbia has on 25th of December 2008, on proposition of The Ministry of Telecommunication and Information Society, brought Decision on separation of emission system from Radiobroadcasting system of Radio Television of Serbia. The start of transition is marked with forming of

company that will manage emission infrastructure that consists of emission system of Republic of Serbia, which is separated from emission system of Radiobroadcasting system of Radio Television Serbia.

With the development of the telecommunications' sector, a larger number of RTV programs and an increased demand for frequencies which are a limited public good, the process of switching over from analogue to digital broadcasting of programs ensures better utilization of the limited public resource of the Republic of Serbia. At the same time, digitalization enables the user to access a larger number of different radio and television programs and provides higher interactivity possibilities.

- Stimulating the development of information society by way of developing e-business in administration, education, health system, judiciary, commerce and economy. Implementation of electronic government should stimulate better coordination and higher efficiency in the chain: State Government – local government; local government – citizen, i.e. to enable public administration to provide services electronically and to enable the citizens to use these services. The goal is for the citizens to satisfy their demands with respect to the public administration as simply as possible.
- Improvement of regulatory framework in postal transactions.

b) Institutional capacities

- Strengthening the institutional capacities of the Ministry of Telecommunications and Information Society (MTIS)

For successful completion of duties from the Ministry's field of activity and increasing performance efficiency, it is necessary to strengthen the institutional capacity of MTIS (English language courses, information technologies, regulatory framework of the EU).

- Strengthening institutional capacity of the Government Telecommunications Agency (RATEL)

To enable RATEL to successfully perform its duties defined by the Law on Telecommunications in respect of regulating the telecommunications' market, it is important to ensure the strengthening of its institutional capacity, i.e. to provide all necessary resources that ensure independence, transparency, objectivity and professionalism in the work of this regulatory body (English language courses, information technologies, regulatory framework of the EU).

- Start of activities of the Government Agency for Postal Services

The Government Agency for Postal Services was founded under Article 65 of the Law on Postal Services as an independent regulatory body and, among other activities, it was entrusted with issuing and terminating licenses to postal operators for running the universal postal service; issuing and terminating permissions to postal operators for running unreserved postal services; taking measures with a view to improving competition in the postal services' market and passing by-laws for postal service provision. In order to harmonize the requirements of a free market and competition it is essential to take all necessary measures to ensure the start of operations of this regulatory body.

Midterm goals

The activities in the area of telecommunications in the next midterm period will be focused on further liberalization of the communication services' market, establishing competitive relations and increase of investments into the development of communication infrastructure, which will result in an increased number of communication services and their diversity. Application of the cost principle, adequate revision of tariffs, and implementation of the universal service are important preconditions for the liberalization of the communication sector in Serbia. Therefore, the Strategy for the Development of Telecommunications in the Republic of Serbia from 2006 to 2010 has been changed and amended accordingly, and the Action Plan for its implementation was updated.

Connecting the communication systems with the system of other countries will continue and the socially appropriate allocation of frequencies will be carried out, and the whole process will be efficiently managed and controlled, in accordance with the legislation.

One of the development priorities in the area of communications is provision of the universal service. By choosing operators that have obligation to provide universal service and by forming a universal service fund to reimburse expenses accrued in providing universal service, the needs of the end users of telecommunication services of certain quality at reasonable prices irrespective of the geographical location will be satisfied. Special efforts will be made to provide quality service to the vulnerable categories of population and the disabled persons, as well as persons with special needs.

Further development priorities in the area of communications are related to the digitalization of fixed telecommunication network, strengthening transmission capacity of the public broadcasting service, implementation of digital broadcasting, rational utilization of the radio-frequency spectrum, liberalization of the communication services' market, strengthening the competition and stimulating infrastructure development in the undeveloped regions. The new regulatory framework will ensure the application of the latest technological solutions and availability of the resulting benefits to the service users.

In accordance with the Strategy for Information Society Development in the Republic of Serbia, special attention will be paid to creating an information society as part of the unique regional and European information environment, following the signed Agreement eSEE Agenda+ for the development of information society in the South East Europe for the 2007-2012 period. Accordingly, a strategy for the development of electronic communications will be passed which will include all system solutions of the EU and the standards of the EU directives.

In the area of information society, the laws regulating electronic business will be passed, with the aim to facilitate free flow of goods, capital, people and services in accordance with the standards and norms of the EU and creation of an information base for increasing the number of users of public electronic communications and information society services. The increase in 2010 should be at least 10% compared to the base year 2007. A number of new legal acts should contribute to the achievement of that goal (laws: on protection of privacy in public electronic communications, on electronic document, on electronic government, on electronic communications; by-laws for implementing the Law on Electronic Signature).

In the next three-year period the development of broadband internet access should be stimulated by using different types of access technologies. Such approach is one of the conditions for the development of information society. Special attention will be paid to improving electronic literacy.

Raising the level of this modern type of literacy would be ensured through establishing a unique computer-based network of special-significance institutions. Equally big attention shall be paid to the modernization of local governments, to coordinated development and to the introducing the electronic government services, provision and improvement of internet availability and equal development in the underdeveloped and rural areas, promotion of information society and development of the Internet-based education system.

The main goals relating to the use of the cable distribution system (CDS) are creating conditions for including as many CDS users as possible, regulating the situation with a commitment to reconstruct the existing and build new CDS's as modern, two-way networks, open access to the CDS networks to all interested service providers, prevention of monopoly, market openness for different CDS operators and provision of full customer protection.

Special activities will be directed to the development of satellite communications as an important segment of the overall communication and information system of the country. This, among other, entails liberalization and regulation of the satellite communications' market and ensuring full harmonization with the valid European and global standards and recommendations.

The reform of the postal system implies:

- Implementation of prepared plan of improving quality of postal services that is based on determining the requested and needed standards, regulations, conditions and demands of postal services quality
- Integrating national postal system into global postal network
- Launching the work of national regulator for the area of postal services
- Broadening up the portfolio of services in the domain of new services
- Raising up the level of efficiency of postal network and capacities, by realization of investment projects; construction of the Main postal center in Belgrade and reconstruction of existing capacities
- Development and restructuring of PPO, at first forming PPO by passing the Act on Establishment of PPO, organizational and technological adjustment of PPO to the new market demands, efficient usage of existing infrastructure, investment in material, informational and human resources.

In accordance with the adopted and signed program ACCORD II, *JP PTT Srbija* started with the harmonization of legal regulations in the postal sector with the EU acts – "*postal acquis*", as well as implementation of the projects, using new method of project management, in the area of postal services quality, regulations, marketing, new methods of calculating postal expenses based on the cost principle.

c) Implementation

- Implementation of the obligation to provide the universal service includes its defining, as well as forming a fund for its implementation

Under the Law on Telecommunications and Law on Postal Services there is an obligation to provide the universal service, i.e. to provide basic services to all citizens in the territory of the Republic of Serbia at affordable prices, which includes realization of one of the basic human rights, namely, the right to communicate.

Based on state obligation to assure continuous provision of universal postal service, the draft on Bylaw of determining postal packages that constitute universal service have been prepared and is currently in the procedure of intersectorial tuning.

- Continuous adapting and revision of the plan of purpose and use of the frequency spectrum in line with the needs and technological innovations and accepted international obligations.

Modern technological innovations and the growing needs for a limited natural resource such as the radio-frequency spectrum, as well as harmonization with the accepted international obligations, impose the need for continuous revision of use of this spectrum in a rational and efficient manner.

- Revision of the Numeration Plan and its application

For the development of the telecommunications' market in respect of entering the new market actors, and with a view to stimulating efficient competition, the existing numeration plan needs to be revised, especially considering the elements such as: selection and pre-selection of operator and transferability of numbers.

- Forming a school network and linking it to the Academic Network of Serbia

In accordance with the Strategy for the Information Society Development of the Republic of Serbia and the international obligations taken over at the Global Summit on Information Society, the final declaration of which envisages the linking of all schools to the global network, it is necessary to ensure funds for the realization of the assumed commitments and contribute to the modernization of teaching in our schools.

- Implementation of the government broadband internet network for the needs of the government bodies

To boost efficiency of the government bodies and for better coordination of their activities the internet network needs to be implemented.

- Improvement of research and development in the area of information and communication technologies in the Republic of Serbia

In order to strengthen the ICT industry and ensure development of telecommunications in the Republic of Serbia, it is necessary to improve research and development in the area of ICT. One of the key elements is through increasing share in the EU programs, Seventh Framework Programme (FP7) The ICT Policy Support Programme (ICT PSP) and CIP as well as strengthening regional cooperation in this area. These projects also significantly contribute to the integration of the Serbian ICT research community into the European research environment.

- Implementation of Strategy for the Switchover from Analogue to Digital Broadcasting of Radio and Television Program in the Republic of Serbia and the Action Plan

The Strategy for the switchover to digital broadcasting systems took into consideration the advantages and disadvantages for all stakeholders or interested parties involved in the transition process and defined and emphasized value added services that are enabled by the new services, as well as its implementation.

The Action Plan determines guidelines for the participants that are involved in the process of switchover from analogue to digital broadcasting of radio and television program, plan the obligations of the authorities, decides on deadlines and assess funds for their realization

- Singling out broadcasting equipment from the system of public broadcasting service and implementation of digital broadcasting

For the development of democracy and modernization of present-day society, it is important to ensure the presence of media equipped with the modern digital technology so as to achieve quality and uninterrupted broadcasting of informative program, above all, then educational, cultural and artistic program, entertainment, documentary program and programs for youth and national minorities, in accordance with the relevant provisions of the Statute of the European Union for broadcasting within the desired zone of the service. Therefore, it is essential to build and renovate the broadcasting capacities, the main transmitter, repeater for additional coverage, as well as full system of radio-relay connections with all directions. One of the preconditions for efficient regulation of this area is singling out broadcasting equipment and connections, and forming a separate company the services of which would be used by all broadcasting organizations.

- Improvement of basic processes in the production of postal services and rationalization of the existing resources of the Public postal operator

In order to achieve this strategic objective there is a need to certify postal processes performed in accordance with the international norms, the existing network needs to be redefined by the re-engineering model and the postal pigeon boxes need to be uniformed. Reduction of mail production expenses at

endusers, a lot faster delivery of mail, eliminating its dispatch-related expenses and an increase of the overall income of the postal operator will be achieved through the implementation of the postal network re-engineering and processing automation project.

- Preparation of the postal service quality assurance and cost calculation methodology

Improvement of efficiency and quality of package delivery and flexibility of delivery services are a precondition for full satisfaction of users' needs and for facing the challenges of an open market. The costing price must be identified by the cost calculation method for each phase separately in the course of providing a postal service in order to eliminate the need for subsidies from other secondary services.

- Satisfaction of needs of postal service users

In order to improve, make available and optimize the retail activities, customers must have easier access to the desired information which is achieved through the implementation of standards set by the European Parliament (Directive 2002/39/EC), regarding clear, simple and cost-effective procedure for processing all requests of citizens, especially those relating to lost or damaged packages, package tracking, mass use of windows for selling tickets via the POSTNET network, etc.

Table 58. Top priority investment projects in the area of telecommunications and information society

Project Title	Authorized Institution	Estimated Project Value	Information on the Sources of Funding		Planned Start Date of Project Implementation
			Own Assets	External Sources of Funding	
1. Stimulating the development of information society by way of developing e-business in administration, education, health system, judiciary, commerce and economy	MTIS				2009-2011
2. Implementation of the obligation to provide the universal service which includes its defining, as well as forming a fund for its implementation	MTIS RATEL				2008-2009
3. Forming a school network and linking it to the Academic Network of Serbia	MTIS				2009-2011
4. Implementation of the government broadband internet network for the needs of the government bodies	MTIS				2009-2011

Project Title	Authorized Institution	Estimated Project Value	Information on the Sources of Funding		Planned Start Date of Project Implementation
			Own Assets	External Sources of Funding	
5. Singling out broadcasting equipment from the system of public broadcasting service and introducing digital broadcasting	MTIS				2009
6. a) Building (renovating) broadcasting centers (Jastrebac, Avala, Crveni Cot, Zvecka, Besna Kobila, Ovcara, Iriski Venac, Tornik, Rudnik, Srbobran, Krnjaca)	MTIS	26,830,000€			2008-2009
7. b) Procuring equipment for satellite broadcasting and DSNG	MTIS	500,000 €			2008-2009
8. c) Building radio-relay network system for the broadcasting purposes	MTIS	2,100,000 €			2008-2009
9. Modernization and development of basic postal processes of the Public Postal Operator with a view to preparing it to compete under conditions of market economy,	MTIS PTT				2009
10. Reorganization of the postal network and restructuring the Public Postal Operator with a view to performing the universal postal service more efficiently	MTIS PTT				
11. Electronic track of postal packages (Track and trace)	MTIS PTT				
12. Registered electronic mail	MTIS PTT			IPA	2009

Project Title	Authorized Institution	Estimated Project Value	Information on the Sources of Funding		Planned Start Date of Project Implementation
			Own Assets	External Sources of Funding	
13. Support to the switchover to digital broadcasting in Serbia	MTIS			IPA	2009
14. Support to the development of e-government	MTIS			IPA	2009

Table 59. Top priority reform projects in the area of telecommunications and information society

Project Title	Authorized Institution	Estimated Project Value	Information on the Sources of Funding		Planned Start Date of Project Implementation
			Own Assets	External Sources of Funding	
1. Improvement and the harmonization of the regulatory framework in the area of postal services	MTIS				2009
2. Strengthening institutional capacity of the Ministry of Telecommunications and Information Society (MTIS)	MTIS				2008-2009
3. Improvement of the regulatory framework in the area of telecommunications and information society and harmonization with the new regulatory framework of the EU	MTIS				2009-2011
4. Strengthening institutional capacity of the Government Telecommunications Agency (RATEL)	RATEL				2008-2009
5. Continuous adapting and revision of the plan of purpose and use of the frequency spectrum in line with the needs and technological innovations and accepted international obligations	MTIS RATEL				2008-2009

Project Title	Authorized Institution	Estimated Project Value	Information on the Sources of Funding		Planned Start Date of Project Implementation
			Own Assets	External Sources of Funding	
6. Revision of the Numeration Plan and its application	RATEL				2008-2009
7. Preparation of Strategy and Action Plan for the Switchover from Analogue to Digital Broadcasting of Radio and Television Program in the Republic of Serbia and their implementation	MTIS				2009
8. Improvement of research and development in the area of information and communication technologies in the Republic of Serbia	MTIS			European Commission	2009

3.17. Justice

There is a necessity for implementation of strategic reforms on all the levels of judiciary system with the aim to establish the rule of law and legal certainty in the Republic of Serbia. This need for reform has come as a result of severe clash between an outdated political and legal system and new social relations that are based on completely different postulates, principles and values. The old Constitution did not provide enough guarantees for independent functioning of courts or for autonomy of the public prosecutor's function, which led to the creation of a judiciary system that is susceptible and open to inadequate influences. Administration of justice under such circumstances has led to deterioration of reputation of judiciary as an institution of state. All the above stated has caused a low level of protection of ownership and other rights, which are indispensable for successful functioning of economy and also for the general trust in institutions of the society.

Analyses that were carried out over the past four years identified and recognized the following weaknesses:

- Inadequate legal framework, which has resulted in excessive delay of court proceedings, hindered enforcement of court decisions, irresponsible behaviour of different bodies within the judiciary system, and even corruption;
- Excessively complex and broad system of courts, which has resulted in higher operational expenses than necessary and also in a less efficient access to justice;
- Unclear standards for election, recall, performance and promotion for judges, which has resulted in inconsistent efficiency of judiciary bodies and in a decrease of public trust in the profession of judge;
- Lack of capacities for integrated planning, budgeting and performance measuring, which weakens the capacity of judiciary to efficiently monitor and improve the performance of the system;
- Outdated operational practices of judiciary administration, which is an obstacle for effective administration of justice and also for the processing of court cases;
- A huge burden of administrative tasks for the judges, which reduces their judicial efficiency and weakens the morale among the judges;
- Lack of continuous training for judges and other judicial officials, presenting an obstacle for development of a modern and professional staff with specialized skills in management and court administration;
- Inadequate curriculum in faculties of law, which contributes to unpreparedness of the future leaders in the legal profession and in the judiciary;
- Inadequately equipped and maintained facilities, which restricts access to justice and exerts great pressure on resources in judiciary;
- Overcrowded and outdated system of penal sanctions enforcement institutions, which does not serve to efficiently stimulate rehabilitation and does not meet international standards;
- Insufficient use of information technology and automated systems, which has resulted in constant use of inefficient and labour-intensive administrative practices.

In order to eliminate the above listed weaknesses, the Government has undertaken upon them to implement a program of reforms in order to achieve a more efficient, adequate and modern judiciary system. In accordance with that, a National Strategy for Judiciary Reform document has been adopted, together with an Action Plan that is based on it. In the *National Strategy for Judiciary Reform* document, challenges that the domestic judiciary face have been expounded within four key principles and their corresponding objectives. In a separate *Action Plan* document, concrete activities that are necessary to achieve these objectives have been laid out. The activities will be directed at strengthening of accountability and independence of courts, the rule of law and at harmonization of regulations with the European and international legal standards. Primary aim of the judiciary reform is to improve the quality of judicial practice up to the level that corresponds to the levels achieved in the modern European societies.

The new Constitution of the Republic of Serbia has made an important step forward in providing better guarantees for independent functioning of courts and for the autonomy of the Public Prosecution, by stipulating establishing of new institutions of High Judicial Council and State Prosecutorial Council. According to the new Constitution, and with the aim to charter this area, on December 22, 2008, the National Assembly adopted a package of judiciary regulations: the Law on High Judicial Council, Law on Judges, Law on Organization of Courts, Law on State Prosecutorial Council, Law on Public Prosecution, Law on the Seats and Territorial Jurisdiction of Courts and Public Prosecutor's Offices, Law on Amendments and Addenda to the Law on Misdemeanour Offences. A package of anticorruption legal acts that were adopted in the National Assembly on October 23, 2008 is extremely important for the fight against corruption: Anti-Corruption Agency Law, Law on Amendments and Addenda to the Law on Financing of Political Parties, Law on Seizure and Confiscation of the Proceeds from Crime, and the Law on Liabilities of Legal Entities for Criminal Offences. On the same day, legal regulations about personal

data protection were adopted, and together with the anti-corruption laws, these laws are important for the process of visa liberalization: the Law on Personal Data Protection and the Law on Ratification of Additional Protocol on the Directive of Council of Europe on Protection of Individuals with Regard to the Processing of Personal Data. In order to continue the process of efforts on meeting the requirements for liberalization of visa regime, on March 18, 2009, the following legal acts were adopted in the National Assembly: Law on International Legal Assistance in Criminal Matters, Law on Ratification of Convention of the Council of Europe on Cyber Crime, Law on Ratification of the Additional Protocol to the Convention on Cybercrime concerning the criminalization of acts of racist and xenophobic nature committed through computer systems, Law on Ratification of the Convention of the Council of Europe on Action against Trafficking in Human Beings, Law on Ratification of the Conventions of the Council of Europe on Laundering, Search, Seizure and Confiscation of Proceeds from Crime and on Financing of Terrorism, Law on Ratification of Convention of the Council of Europe on Terrorism Prevention and the Law on Recognition of Protocol that is an amendment and addenda to the European Convention on Suppression of Terrorism.

On August 31, 2009, National Assembly adopted the following legal acts: Law on Amendments and Addenda to the Criminal Procedure Code, Law on Amendments and Addenda to the Law on Organization and Jurisdiction of State Bodies in Suppression of Organized Crime, Law on Amendments and Addenda to the Criminal Code, Law on Amendments and Addenda to the Law on Enforcement of Penal Sanctions, Law on Enforcement of Penal Sanctions Imposed on Offenders Guilty of Organized Crime and War Crimes and Law on the Cooperation with the International Criminal Court.

In the forthcoming period Ministry of Justice has intention to prepare the following legal acts: Law on Amendments and Additions to the Civil Procedure Code, Law on Amendments and Additions to the Law on Enforcement Procedure, Law on Expert Court Witnesses, Law on Ratification of the Council of Europe Convention of the Protection of Children against Sexual Exploitation and Sexual Abuse, Law on Categorisation and Protection of Classified Data, Law on the National Institute for Judicial Training, Law on Amendments and Additions to the Law on Organization and Competence of Government Authorities in War Crimes Proceedings, Law on Amendments and Additions to the Law on Organization and Competence of Government Authorities in Suppression of Cyber Crime, Law on Amendments and Additions to the Law on Constitutional Court, Law on Attorneys, Law on Public Notaries, Law on the Bar Exam, Code on Property and Other Subject Matter Rights, Law on Rehabilitation, Law on Amendments and Additions to the Law on Juvenile Criminal Offenders and Criminal Protection of Juveniles, Law on Free Legal Assistance, Law on Amendments and Additions to the Law on Mediation, Law on Commercial Offences.

Parallel with these activities, Ministry of Justice will continue their efforts in the area of international cooperation and European integrations, above all with the aim to achieve further harmonization of domestic legal regulations with the EU legal regulations, standards of the UN and the Council of Europe, monitoring of the performance in meeting their obligations towards the international actors, improvements of the continuous dialogue with the EU and realization of priorities from the European partnership.

Important goals of reform in this area have been achieved so far thanks to the international support and assistance. The biggest number of projects has been implemented in order to build the capacities the human, material and technical resources of the judiciary in the Republic of Serbia, as well as to further develop the legislation. The following list contains an overview of the most important projects in the period of 2001 – 2008.

Table 60. The most important projects in the judiciary field, from 2001 till 2008:

Program/Project Title	Value	Source of Financing	Implementation Period
1. IT equipment procurement for municipal and district courts (2002-2004)	EUR 2,799,690	2. EAR	Completed
2. Support to judiciary reform, modernization of registry offices in the district courts in Novi Sad, Nis and Kragujevac (2004-2006)	EUR 2,400,000	EAR	Completed
3. Support to court administration (Phase 3)	EUR 2,500,000	EAR	Completed
4. Database of legal regulations (2004-2006)	EUR 1,100,000	EAR	Completed
5. Reconstruction of the court room 1, of the District Court in Belgrade	EUR 1,000,000	EAR	Completed
6. Safety, Security and Access to Justice Programme	GBP 2,500,000	United Kingdom	Completed
7. Support to Judiciary Centre	EUR 2,700,000	EAR	Completed

Program/Project Title	Value	Source of Financing	Implementation Period
8. Training for judges, public prosecutors, attorneys and police investigators in the area of international law and extradition of war crimes indictees	SEK 1,890,000	Sweden	Completed
9. Establishing of Judiciary Training Centre UNDP/OSCE 2002	EUR 788,000	The Netherlands	Completed
10. Support to legislation reform	CHF 1,328,659	Switzerland	Completed
11. CARDS 2005 – Procurement and technical assistance for judiciary reform strategy	EUR 2,500,000	European Commission	Completed
12. Independent Judiciary Project	CAD 1,000,000	Canada	Completed
13. Judiciary Reform and the Rule of Law 2001	USD 2,000,000	United States of America	Completed
14. Judiciary Reform and the Rule of Law 2005	USD 2,900,000	United States of America	Completed
15. Judiciary Reform and the Rule of Law 2003	USD 1,290,000	United States of America	Completed
16. Judiciary Reform and the Rule of Law 2004	USD 5,560,000	United States of America	Completed
17. Commercial Courts System Reform 2004	USD 3,550,000	United States of America	Completed
18. Renovation of the Supreme Court building	EUR 541,278	Germany	Completed
19. Cooperation with UNICEF on the “Underage Persons in Court Proceedings” Project	SEK 19,000,000	Sweden	Completed
20. SILD; training for judges, lawyers and public prosecutors in the area of international law	SEK 1,870,000	Sweden	Completed
21. SILD; Project Preparation for training courses for Serbian judges, lawyers and public prosecutors for cooperation with the Hague Tribunal	SEK 439,000	Sweden	Completed
22. Technical support and counselling for reform of legislation in the Republic of Serbia	EUR 3,443,000	Germany	Completed
23. Equipping of Public Prosecutor’s Office with IT equipment – 2003	EUR 400,000	EAR	Completed
24. Preparation of ADR Action Plan in the First Municipal Court – 2004	EUR 700,000	EAR	Completed
25. Establishing of a Professional Training Centre for Judges and Public Prosecutors (January 2002 - 2004)	USD 850,000 (establishing of the Centre) + USD 3,400,000 (Operational Costs)	UNDP,OEBS (SIDA and RNE)	Completed
26. Faster Access to Courts Project (2002 - 20 months)	GBP 665,000	United Kingdom - DFID/KPMG	Completed
27. Development of the Rule of Law in the Republic of Serbia (December 2005)	USD 550,000	USAID / ABA- CEELI	Completed
28. Strengthening of the Courts Administration System in the Republic of Serbia (May 2003 - May 2006)	USD 300,000	World Bank – Ministry of Justice	Completed
29. Strengthening of Court Sources and support to the Training Centre for Judges (March 2004 – April 2006)	USD 745,148	UNDP/CIDA	Completed
30. Strengthening of mechanisms for human rights protection (2004 / 10 months)	USD 100,000	UNDP/TTF	Completed
31. Public Awareness Raising in Serbia (2004-2006)	EUR 242,593	Ministry of Foreign Affairs of Norway	Completed
32. Twinning Project "Capacity Building of the Ministry of Justice" (2003-2006 / 30 months)	EUR 1,491,028	EAR / IRZ	Completed

Program/Project Title	Value	Source of Financing	Implementation Period
33. Strengthening of the Misdemeanour Courts System (2004 – 2006 – Two years)	USD 1,055,500	UNDP/SIDA	Completed
34. Support to implementation of the National Strategy for Judiciary Reform in Serbia	EUR 1,100,000	EAR / IRZ	Completed
35. Access to Justice Improvement in Courts in Serbia	EUR 1,100,000	Ministry of Foreign Affairs of the Kingdom of Norway / IMG	Completed
36. Fight against Economic Crime in Serbia – PACO Serbia	EUR 1,500,000	EAR / Council of Europe	Completed
37. Support to establishing of the High Judicial Council	EUR 170,000	Spanish Agency for International Development - AECI	Ongoing
38. Judiciary Reform in the Balkans (February 2004 – March 2010)	CAD 5,000,000	Canada / CIDA / Genivar / Ottawa University	About to be completed
39. Reform of the Free of Charge Legal Assistance System (2006-2008 / 24 months)	USD 1,121,495	UNDP/SIDA	Ongoing
40. Training Course for Judges (2003 - 2006)	USD 500,000	USAID	Completed
41. Training Course for Judges (2003 - 2006)	USD 304,303	CCASA	Completed
42. Support to Reform of the Penal - Correctional System (March 2006 – April 2007)	CAD 1,200,000	Council of Europe / CIDA	Completed
43. Support to the reform of system of institutions for prison sanctions enforcement (March 2006 – September 2007)	CAD 1,200,000	OEBS/CIDA	Completed
44. Entrepreneurship Development in South-East Europe (November 2004 - April 2006)	CAD 325,000	IFC/CIDA	Completed
45. Independence and Impartiality of Judges (September 2001 - April 2005)	CAD 715,113	CIDA-International Commission of Jurists, National Section of Canada	Completed
46. OSCE Support to the Ministry of Justice and to the Ministry of Interior (2001 – 2006)	EUR 196,105	OEBS	Completed
47. Division of Rule and Power	USD 10,000,000	USAID	Ongoing
48. Support to establishing of the High Judicial Council and to the State Prosecutorial Council / CARDS 2006	EUR 2,000,000	European Commission	Ongoing
49. Multi Donors Trust Fund	EUR 2,800,000	World Bank	Ongoing
50. Access to Justice Improvement in the Courts in Serbia (Phase 2)	EUR 1,521,165	Ministry of Foreign Affairs of the Kingdom of Norway / IMG	Ongoing
51. Improvement of Efficiency and Transparency of Courts' Procedures	EUR 3,000,000	IPA 2007	Ongoing
52. Standardized system of initial and continuous training in judiciary	EUR 2,000,000	IPA 2007	Ongoing
53. Reconstruction of facilities for the Ministry of Justice and for the National Institute for Training Courses in Judiciary	RSD 377,563	Budget for 2008	Ongoing
54. Study aimed at identifying the needs for investments in larger urban centres' courts	*		Completed
55. Modernization of judiciary (E-Justice)	The total of RSD 8,750,000 (RSD 2,359,770 from the NIP for 2008)	NIP	Ongoing

Program/Project Title	Value	Source of Financing	Implementation Period
56. Reconstruction and renovation, and enlargement of the existing building of the Third Court in Belgrade	RSD 1,125,000 + RSD 60,000,000	NIP + Budget for 2009	Ongoing
57. Reconstruction of roof of the building housing some of the Departments of the District court for Suppression of Organized Crime and Public Prosecutor's Office for War Crimes (in Belgrade, Ustanicka Street 29)	RSD 280,000 + RSD 30,000,000	NIP + Budget for 2009	Ongoing
58. District Court in Novi Sad – investments in construction works and equipment of the Court building	RSD 710,000	NIP	Completed
59. Appellate Court in Novi Sad – equipment and reconstruction of the roof structure	RSD 400,000 + RSD 400,000,000	NIP + Budget for 2009	Ongoing
60. Setting up and providing of facility and technical conditions for the beginning of work of the Appellate Court in Nis	RSD 2.165.000 + RSD 180,000,000	NIP + Budget for 2009	Ongoing
61. Setting up and providing of facility and technical conditions for the beginning of work of the Appellate Court in Kragujevac – facility adaptation	RSD 560,000 + RSD 250,000,000	NIP + Budget for 2009	Ongoing
62. District Court in Kragujevac – reconstruction of the Court building and equipment installed	RSD 415,000	NIP	Ongoing
63. Equipping of judiciary institutions with office furniture	RSD 1,300,000	NIP	Ongoing
64. Reconstruction and adaptation of the building of District Public Prosecutor's Office and of the First and Second Municipal Prosecutor's Office (in Zeleni venac Street 18)	RSD 2,250,000	NIP	Ongoing
65. Equipping of the facility with technical resources, acquisition of uniforms for judiciary guards and training	RSD 1,190,000	Budget for 2008	Ongoing
66. IT equipment for Ministry of Justice – District Courts	EUR 450,000	EAR	Completed
67. Training course for public prosecutors for their broadened role in evidence collecting and case management	*		Ongoing
68. Construction of a new correctional facility in Cuprija Penal Sanctions Institution	RSD 12,828,000	Budget	Completed
69. Reconstruction of Pavilion A of the Penal Correctional Facility Nis	RSD 21,056,000	Budget	Completed
70. Reconstruction of the Psychiatry block of Central Prison Hospital in Belgrade	RSD 24,686,000	Budget	Completed (2005 - 2006)
71. Adaptation of new custody department in Valjevo Penal Sanction Institution.	RSD 11,085,000	Budget	Completed (2003 – 2007)
72. Construction of special department for organised crime convicts of the Penal Correctional Institution in Pozarevac - Zabela	RSD 197,529,000	Budget	Completed (2005 - 2007)
73. Renovation of Pavilion 3 on the Penal Correctional Institution in Sremska Mitrovica	RSD 160,653,000	Budget	Completed (2006 - 2007)
74. - Reception department facility and custody facility in Penal Correctional Institution Sremska Mitrovica	RSD 249,469,000	Budget	Completed (2006 - 2007)

Program/Project Title	Value	Source of Financing	Implementation Period
75. Adaptation and renovation of special custody department for organized criminal and war crime suspects – Belgrade, Ustanicka 29	RSD 102,444,000	NIP	Completed (2006 - 2007)
76. Adaptation of special prison hospital and District prison in Belgrade	RSD 54,970,000	NIP	Completed (2006 - 2007)
77. Building of a new facility, strictly closed type, for 500 prisoners in Padinska Skela	RSD 755,000,000	NIP and Budget	2006-2010, ongoing
78. Reconstruction of the 1 st Pavilion of the Penal Correctional Facility in Sremska Mitrovica	RSD 128,919,000	Budget and NIP	Completed (2006 - 2007)
79. Construction of the pavilion for enforcement of penal sanctions with auxiliary belongings in District Prison in Novi Sad	RSD 74,708,000	Budget and NIP	Completed (2006 - 2007)
80. Building of the custody and reception department and reconstruction of Pavilion B in Penal Correctional Facility in Nis	RSD 48,426,000	NIP	Completed (2006 - 2007)
81. Building of the facility for detention of persons within the District Prison in Subotica – first phase	RSD 8,500,000	NIP	2006 – 2009 ongoing
82. Construction of the facility with ambulance within half open department in the Penal Correctional Institution in Sremska Mitrovica	RSD 90,969,000	NIP	Completed (2006 - 2007)
83. Building of the facility for conducting drug addict convicts in the Penal Correctional Facility Sremska Mitrovica	RSD 87,494,000	Budget and NIP	Completed (2006 - 2007)
84. Reconstruction and additional enlargement District Prison in Novi Pazar (supers ruction and ground floor adaptation)	RSD 57,163,000	Budget	Completed (2006 - 2008)
85. Equipping and improvement of the Training centre in Nis	EUR 4,570,000	OSCE mission and Canadian Agency for international development	Completed (2006 - 2007)
86. Equipping of Penal Correctional Institution security with modern devices for integral perimeter protection	EUR 1,400,000	EAR	Completed (2006 - 2007)
87. Legislative activity on the development of alternative sanctions system and improvement of enforcement of penal sanctions.	EUR 50,000	OESC	Completed (2006 - 2008)
88. 'House in the Middle of the Road (Kuca na pola puta)' –course before discharge from prisons	RSD 5,000,000	Budget	Completed (2006 - 2008)
89. Improvement of health care in prisons in the Republic of Serbia ("department without drugs" – project for treatment drug addict convicts)	EUR 145,000	OSCE mission and Canadian International Development Agency	Completed (2006 - 2008)
90. Developing of the Commissioners network for conditional release	EUR 269,000	OSCE mission and Government of Nederland	Completed (2006 - 2008)
91. School for education of prisoners in the Penal Correctional Institution in Sremska Mitrovica	EUR 67,000	OSCE mission and Canadian Agency for international cooperation	Completed (2006 - 2008)
92. Workshops for education of convicts in Penal Correction Institutions for women and Juvenile Detention Centre in Krusevac and Penal Correction Institution in Valjevo	EUR 956,000	EAR	Completed 2007

Republic of Serbia judiciary reform framework contains 12 basic reform objectives. Each of the key principles encompasses three objectives. These reform objectives, individually and taken all together, and projects that are related to them are all dealing with the principal challenges that the judiciary faces today. The judiciary reform framework is presented in the following Table, and the individual initiatives were grouped according to the short-term (2006 and 2007), medium-term (2008 - 2009) and long-term (2010 - 2011) deadlines for implementation.

Table 61. Judiciary Reform Framework

GOALS DEADLINES	INDEPENDENCE	TRANSPARENCY	ACCOUNTABILITY	EFFICIENCY
Short-term (2006-2007)	Independent management	Open judicial selection, promotion, accountability and removal from office	Clear standards for judicial productivity and performance	Better access to judiciary
Medium-term (2008-2009)	Independent Budget Authority	Adequate access to information from court records and proceedings	Effective management of court cases	Standardized system of training and professional courses for employees
Long-term (2010-2011)	Independent establishing of a general framework and internal organization and work of the courts	Enhanced Public Outreach and Participation	Effective use of resources in judiciary and in public prosecution offices	A modern network of courts

The following priority areas have been identified for realization of the above listed goals:

- To provide greater legal certainty and security;
- To increase efficiency of courts, public prosecution and attorney general's office;
- To prepare a programme of multifaceted reduction of court backlogs in order to provide court proceedings within reasonable period of time, with the long-term objective to completely eradicate the problem of backlogs;
- to additionally train judges and public prosecutors in court proceedings, and especially in the area of commercial crime, corruption and organized crime;
- to simplify and standardize court procedures, both on the level of legislation and in practice (for example, best practice exchange), with the aim to improve efficient court procedures and expert decision making by the public prosecutors and judges;
- to achieve complete computerization of courts (to introduce IT record entries, complete transfer to electronic communication and business dealings between the service users and courts), with the aim to reduce the length of court procedures, to achieve better performance levels in dealing with courts' backlogs and in dealing with limitations of court cases;
- To achieve the complete computerization of public prosecutors' offices (introduction of electronic registry entries, complete transfer to electronic business dealings within public prosecutors' offices, electronic exchange of information with courts and MoI), all with the aim to achieve shorter courts proceedings and better efficiency of courts;
- To implement complete computerization of prisons and other institutions of the Directorate for Penal Sanctions Enforcement of the Ministry of Justice (introduction of electronic databases on persons deprived of freedom and on their employees, introduction of electronic prison statistics, and so on) with the aim to achieve better efficiency;
- To take care of integration of individual information systems (courts of general jurisdiction, commercial courts, misdemeanour courts, High Commercial Court, public prosecutors' offices and penal sanctions institutions) in an integrated Judiciary Information System (e-justice within the e-government system) and on the protection and safety of data within the system.

Judiciary reform is a lengthy and complex process that requires both the changes in legal framework and substantial financial resources for a series of structural and organizational changes. In order to provide sustainable and successful implementation of the Strategy, the Republic of Serbia shall, within their available resources, provide all the necessary material preconditions and financial means for realization of objectives and activities envisaged in this Strategy document. Support from the international

community, and especially from the European Commission, Council of Europe, World Bank and other international and regional organizations and government agencies, which have so far significantly supported and assisted the reform processes in Serbia, will continue to present an important component for Strategy implementation.

Realization of these objectives will be achieved through implementation of the following priority Programs and Projects, from 2008 till 2010, which are presented in the following Table:

Table 62. Priority projects and programs in the area of judiciary for 2009-2011

Project Title	Relevant Institution	Estimated Value of the Project (in EUR)	Information on Sources of Financing		Planned Start of Project Realization
			Own Resources	External Sources of Financing	
1. Establishing of High Judicial Council and Administration Office	Ministry of Justice, High Judicial Council	2,650,000	RSD 65,935,000 Budget for 2009		2009-2010
2. Improvement of transparency and efficiency (Public Prosecution Offices and in institutions for execution of penal sanctions)	Ministry of Justice			EUR 5,200,000 IPA 2008	2009
3. Modernization of information system in courts and introduction of automated case management system in all courts	Ministry of Justice	1,200,000			2009
4. Implementation of the new Law on Criminal Proceedings – Training for public prosecutors and judges with the aim to undertake a new role and implement new practice	Ministry of Justice	3,000,000		338,890 USAID For Training Course for Public Prosecutors	2009
5. Establishing of State Prosecutorial Council	Ministry of Justice	1,200,000	235,000 Budget for 2008 + 37,203,000 Budget for 2009		2009 – 2010
6. Establishing of regional centres, training and employment for Commissioner for enforcement of alternative penal sanctions	Ministry of Justice Administration for Enforcement of Penal Sanctions	500,000	Budget for 2009		2009
7. Wards without Drugs in Penal Sanctions Institution in Pozarevac, District Prison in Novi Sad and Penal and Correctional Institution in Pozarevac, District Prison in Novi Sad, and	Ministry of Justice Administration for Enforcement of Penal Sanctions	32,000	Budget for 2009		2009

Project Title	Relevant Institution	Estimated Value of the Project (in EUR)	Information on Sources of Financing		Planned Start of Project Realization
			Own Resources	External Sources of Financing	
Penal and Correctional Institution for Minors in Valjevo					
8. 'House in the Middle of the Road (Kuca na pola puta)' – treatment for re-socialization of juvenile delinquents – preparation course before discharge from prisons	Ministry of Justice Administration for Enforcement of Penal Sanctions	5,000	Budget for 2009		2009
9. Employment and training of staff for efficient functioning of enforcement of penal sanctions under the special prison regime	Ministry of Justice Administration for Enforcement of Penal Sanctions	411,000	Budget for 2009		2009
10. Education of security officers for managing with juveniles.	Ministry of Justice Administration for Enforcement of Penal Sanctions	5,000	Budget for 2009		2009
11. Further alignment of penalty system of Republic of Serbia with EU standards and strengthening alternative sanctions system	Ministry of Justice Administration for Enforcement of Penal Sanctions	5,500,000		IPA 2010	2010
12. International Legal Assistance	Ministry of Justice	2,000,000		UNDP/CIDA Project	2009-2010
13. Reduction of corruption and bringing the anti-corruption culture on the level equal to the anti-corruption culture levels of the developed European countries	Ministry of Justice	2,500,000		EUR 2,500,000 IPA 2008	2010
14. Establishing of Directorate for Management of Seized and Confiscated Assets	Ministry of Justice		165,323,000 Budget for 2009		2009
15. Seized and Confiscated Assets Management	Ministry of Justice	2,800,000			2010
16. Transformation of the Judiciary Centre for Training and Professional Courses into the National Institute for Training Courses in Judiciary	Ministry of Justice	2,112,500			2010-2011
17. Capacity strengthening of the Public Relations services in chosen	Ministry of Justice	210,000			2009 - 2010

Project Title	Relevant Institution	Estimated Value of the Project (in EUR)	Information on Sources of Financing		Planned Start of Project Realization
			Own Resources	External Sources of Financing	
Courts and improvement of database of legal regulations and courts' decisions					
18. Establishing of a unified mechanism for recording of all the complaints against the judiciary and establishing of an analysis and reporting system	Ministry of Justice	300,000			2009 – 2010
19. Establishing of a unified system for courts' statistics (results of work of individual Courts and judges)	Ministry of Justice	1,325,000			2009 – 2010
20. Improvement of efficiency of Courts' administration by creating new professional jobs in Courts' administration	Ministry of Justice	1,400,000			2009 – 2010
21. Implementation of IT education for the employees in judiciary bodies in cooperation with the relevant Ministry; Establishing of an IT community and education in the form of a training course for trainers	Ministry of Justice	490,000,			2009
22. Capacity building of the Ministry of Justice in sectors that are directly involved in the EU accession process	Ministry of Justice	700,000			2009 – 2010
23. Capacity building of the judiciary in witness protection procedures	Ministry of Justice	1,500,000			2009

Table 63. Priority Projects and Programs in the area of judiciary for 2009-2011 (Investment Projects)

Project Title	Relevant Institution	Estimated Value of the Project (in EUR)	Information on Sources of Financing		Planned time Project Implementation Inception
			Own Resources	External Sources of Funding	
1. Reconstruction of the Justice Palace in Belgrade	Ministry of Justice	711,862	650,000 NIP + 50,000,000 Budget for 2009		2009-2010

Project Title	Relevant Institution	Estimated Value of the Project (in EUR)	Information on Sources of Financing		Planned time Project Implementation Inception
			Own Resources	External Sources of Funding	
2. Reconstruction and adaptation of the building in Zeleni venac Street 18 to turn it into facility for misdemeanour ur courts	Ministry of Justice		200,000,000 Budget for 2009		2009-2010
3. Reconstruction and adaptation of the building of Valjevo Bank in Valjevo, which is intended to accommodate the Public Prosecution Office and the Minor Offences Court in Valjevo	Ministry of Justice		70,000,000 Budget for 2009		2009
4. Building the new facility of Juvenile Detention Centre in Krusevac	Ministry of Justice Administration for Enforcement of Penal Sanctions	3,320,000		IPA 2007	2010
5. Building the fence wall in the Penal Correctional Facility in Nis	Ministry of Justice Administration for Enforcement of Penal Sanctions	1,680,000		IPA 2007	2010
6. Building of the prison facility in Kragujevac with special purpose facilities for 400 persons	Ministry of Justice Administration for Enforcement of Penal Sanctions	9,000,000		Council of Europe Development bank	2010
7. Building of the prison facility in Pancevo for 500 persons	Ministry of Justice Administration for Enforcement of Penal Sanctions	11,000,000		Council of Europe Development bank	2010
8. Construction of a prison type facility in Prokuplje for 300 persons with maximum prison security	Ministry of Justice Administration for Enforcement of Penal Sanctions	9,474,000	Budget 2010 - 2012		2010
9. Displacement of central facility of the Penal Correctional Institution in Valjevo	Ministry of Justice Administration for Enforcement of Penal Sanctions	1,263,000	Budget 2010 - 2012		2010
10. Reconstruction of the Blocks S3B on 3 rd floor – based on the instruction of KPT	Ministry of Justice Administration for Enforcement of Penal Sanctions	789,000	Budget 2010 - 2012		2010.

Project Title	Relevant Institution	Estimated Value of the Project (in EUR)	Information on Sources of Financing		Planned time Project Implementation Inception
			Own Resources	External Sources of Funding	
11. Reconstruction of blocks of a Belgrade District Courts – 4.1;4.2;2.0;3.0	Ministry of Justice Administration for Enforcement of Penal Sanctions	737,000	Budget 2010 - 2012		2010.
12. Building /Sinking of two exploitation draw-wells in Penal Correction Institution in Sremska Mitrovica	Ministry of Justice Administration for Enforcement of Penal Sanctions	84,000	Budget 2010 - 2012		2010
13. Superstructure of visits room and rooms for family visits in Penal Correctional Institution in Sremska Mitrovica	Ministry of Justice Administration for Enforcement of Penal Sanctions	158,000	Budget 2010 - 2012		2010
14. Renovating of 3 rd Pavilion of the Penal Correction Institution in NIs	Ministry of Justice Administration for Enforcement of Penal Sanctions	474,000	Budget 2010 - 2012		2010
15. Reconstruction of block 1.4 within the Special prison hospital in Belgrade	Ministry of Justice Administration for Enforcement of Penal Sanctions	211,000	Budget 2010 - 2012		2010
16. Reconstruction of the internat building in the Penal Correction Institution for Juveniles in Valjevo	Ministry of Justice Administration for Enforcement of Penal Sanctions	526,000	Budget 2010 - 2012		2010
17. Building of the hazardous water treatment facility and building /sinking of septic burrows in the Penal Correction Institution in Padinska Skela	Ministry of Justice Administration for Enforcement of Penal Sanctions	200,000	Budget 2010 - 2012		2010
18. Adaptation of a pavilion building in the Penal Correctional Institution for woman in Pozarevac –	Ministry of Justice Administration for Enforcement of Penal Sanctions	147,000	Budget 2010 - 2012		2010
19. Construction work on fire-fighters' room in the District Prison in Belgrade	Ministry of Justice Administration for Enforcement of Penal Sanctions	316,000	Budget 2010 - 2012		2010

Project Title	Relevant Institution	Estimated Value of the Project (in EUR)	Information on Sources of Financing		Planned time Project Implementation Inception
			Own Resources	External Sources of Funding	
20. Building of the visits facility and facility for instructors in the District Prison in Zajecar	Ministry of Justice Administration for Enforcement of Penal Sanctions	53,000	Budget 2010 - 2012		2010
21. Renovation of the 2 nd Pavilion of the Penal Correctional Institution in Sremska Mitrovica	Ministry of Justice Administration for Enforcement of Penal Sanctions	32,000	Budget 2010 - 2012		2010
22. Acquiring of new technical equipment for implementation of the new Law of Criminal Proceedings	Ministry of Justice	1,500,000			2009-2010

3.18. Defence

Reform of the Defence has come as a result of one of the fundamental strategic decisions of the Republic of Serbia. It is a process of harmonization of the Defence System with the challenges, risks and threats to security, citizens' needs, potentials of the Republic of Serbia, generally accepted democratic standards and trends of security system organization of modern states, and it is implemented on the basis of the previously defined defence policy. It is implemented with the support from the domestic public, as well as from the relevant actors from the international community, in order to build up new potentials of the Army and other elements of the defence system, in accordance with their respective missions and responsibilities that were laid down in strategic and doctrinal documents.

Basic strategic and planning documents in the defence sector are as follows: National Security Strategy, Defence Strategy, Long-Term Plan for Development of the Defence System, Strategic Overview of Defence, Defence Plan of the Republic of Serbia, as well as the medium-term development plans and programs. Determining of draft strategic documents is in the final phase, and these documents are still to be sent to the Government of the Republic of Serbia for further processing. The adoption of strategic documents is expected to happen in the first half of 2009. Strategic Overview of defence system, which is the institutional framework for reform implementation in the defence system, was adopted by the Government on March 19, 2009. Production of other planning documents is ongoing and it is expected that these will be adopted by the end of 2009.

Standpoints and decisions that are contained in the above mentioned documents are the basis for reform implementation in the area of defence in the following period and also for the development planning process in the defence system that should be used to implement the envisaged organizational changes and to resolve key issues in the defence system. Planning documents in this sector will, as operational level documents, encompass programs and project aimed at development of certain segments of the defence system and will thus enable the implementation of solutions that were defined in strategy level documents within the envisaged time period, while taking into account available resources.

The basic, system legal regulations in the area of defence are the Law on Defence and the Law on the Armed Forces of Serbia that the National Assembly of the Republic of Serbia passed on December 11, 2007.

Table 64. The most important projects of the Ministry of Defence so far (2000-2008)

Title of the Program/Project	Source of Finances	Realization Period
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Title of the Program/Project	Source of Finances	Realization Period
1. The PRIZMA Project: - Training program for civilians' jobs; - Motivational Courses Program; - Informational Program on Small and Medium Size Entrepreneurship; - Counselling and Assistance Program for new job search period.	External sources of funding	Ongoing
2. State administration reform, that is, support to the Ministry of Defence reform	External sources of funding	Ongoing
3. Information technology development	External sources of funding	Ongoing

One of the most successful projects that have been implemented so far within the Ministry of Defence is the PRISMA Project, the Support Program for Vocational Retraining for professional members of the Armed Forces of Serbia, implemented with the aim to provide a comprehensive solution for social problems of non-commissioned officers of the Armed Forces of Serbia that ought to be discharged from the Armed Forces in the course of the defence system reform process, but also for those that are still to be discharged from the Armed Forces after that period. The Program has been devised as an integral part of the human resources management system in the future. The Program has offered the following elements: motivational workshops, information and media support, information on entrepreneurship, counselling and assistance in job finding, professional retraining courses for new, civilians' jobs, subsidized employment, assistance in starting up one's own business, deployment of business incubators' capacities and networking of users.

The main criterion for assessing the success of the Program is the number of people that have found a new job. 5023 users of this Program have been registered so far, out of which 3,405 persons found a new employment (68%), and 1,256 persons attended the professional retraining courses.

It has been planned to continue with the realization of the PRISMA Program until 2011, and the focus will be set on the following activities:

- To continue to provide professional retraining courses for the former non-commissioned officers of the Armed Forces of Serbia (in Belgrade, Novi Sad, Nis and Kraljevo) together with board and lodging for the attendees in courses;
- To continue cooperation on the NATO/Partnership for Peace Trust Fund Project and to provide conditions to include professional soldiers as beneficiaries of this Project;
- To use the existing business incubators in the Republic of Serbia for the needs of the PRISMA Project beneficiaries, in cooperation with the NATO/Partnership for Peace Trust Fund and Ministry of Economy and Regional Development, and
- To galvanize media support and marketing-related activities.

Substantial financial means are necessary for continuation of the PRISMA Project realization, both from our own sources and from donations.

Certain amount of funding has been allocated within the National Investment Plan for the defence sector. Generally speaking, in order to achieve objectives from the Strategy of Defence and to realize the vision of the Armed Forces of Serbia for the period until 2015, it is necessary to allocate funding for the defence system amounting to 2.4% of the gross national product on the annual level. Stable financing of the defence system is of vital importance for the rapid process of modernization and equipping of the Armed Forces of Serbia and for strengthening of their capacities for support and contribution to international peace and stability.

In accordance with our principle-based determination to foster cooperation, and also with the priority objectives of the foreign policy of the Republic of Serbia, and the EU membership and active participation in the Partnership for Peace NATO Program among these, processes of restructuring and armed forces reforms are also underway in the defence sector. In accordance with that, it is necessary to continue the process of profesionalization of armed forces, to complete re-organization of Commands, Units and institutions, to transform and renew military resources and military industry, to modernize production and equipment, and finally to achieve the necessary level of inter-operability with the countries that are included in the NATO Partnership for Peace Program. Besides that, for the Armed Forces to justify their primary role, and serve the interest of the citizens, society and state of the Republic of Serbia, it is very important to exert and strengthen democratic and civilian control over the Armed Forces.

To meet the needs for further reforms, creation of conditions for maintaining the necessary operational and functional capacities of the Armed Forces and development of the defence system, Ministry of Defence has recommended the beginning and/or continued implementation of the following priority Programs (Tables 65 and 66):

Table 65. Priority Investment Projects in the defence field for 2009-2011

Title of the Project	Relevant Institution (Organizational Unit)	Estimated Value of the Project (in EUR)	Information on Sources of Funding		Planned Time Period for Project Realization
			Own Resources	External Sources of Funding	
1. Modernization of Information Centres	Ministry of Defence (Emergency Situations Department)	1,000,000			2009-2011
2. Modernization and equipment for Early Warning Systems	Ministry of Defence (Emergency Situations Department)	500,000			2009-2011
3. Equipment and training for experts' team and four operational teams for finding and destruction of unexploded explosive mines	Ministry of Defence (Emergency Situations Department)	500,000			2009-2011
4. Training for officers in NATO commands	Ministry of Defence (General Staff)	165,000		165,000	2009-2011
5. Support for realization of Development of Search and Rescue System Project	Ministry of Defence (General staff)	800,000		800,000	2009-2011
6. Design and development of information systems of logistics	Ministry of Defence (General staff)	220,000	70,000	150,000	2009-2011
7. Improvement and modernization of situation monitoring system in air space and flight security for the purpose of integration within the regional system	Ministry of Defence (General staff)	10,000,000	2,400,000	7,600,000	2009-2011
8. Training for management and equipment for centres for CIMIC	Ministry of Defence (General staff)	15,000		15,000	2009-2011
9. Centre for training of dogs and dog guides	Ministry of Defence (General staff)	366,000		366,000	2009-2011
10. Technical protection of facilities with MANPADS (Man-portable air defence systems)	Ministry of Defence (General staff)	410,000	150,000	360,000	2009-2011
11. Training courses for discovering of explosive devices	Ministry of Defence (General staff)	355,000	55,000	300,000	2009-2011
12. Distance learning	Ministry of Defence (Human Resources Sector – Military Academy)	22,970 (first phase)		22,970	2009-2011
13. Computers and design of IS for Military Social Security Fund	Ministry of Defence (Human Resources Sector – Military Social Security Fund)	62,500		62,500	2009-2011
14. Digitalization of "Odbrana" ("Defence") Photo Centre Archive and Military Museum	Ministry of Defence (Department for Public Relations)	50,000	10,000	40,000	2009-2010
15. Housing loans for professional soldiers in the Armed Forces of Serbia for 2009	Government of the Republic of Serbia (Ministry of Defence)		1,546,391		2009-2010
16. Telecommunication equipment for the Armed Forces of Serbia for the	Government of the Republic of Serbia (Ministry of		25,360,824		2009-2010

	newly allocated frequency ranges	Defence)				
17.	Professional training courses and development of information system in the area of human resources management and acquisition of IT equipment	Ministry of Defence (Human Resources Sector – Internal Control, Military Medical Academy)	35,000		35,000	2009-2011
18.	Digitalization of library holdings of the Military Academy	Ministry of Defence (Human Resources Sector – Military Academy)	40,000	5,000	35,000	2009-2010
19.	Digitalization of "Zastava Film" of the Military Film Centre Archive	Ministry of Defence (Department for Public Relations)	35,000	15,000	20,000	2009-2011
20.	Improvement of visual identity of Ministry of Defence and Armed Forces of Serbia	Ministry of Defence (Department for Public Relations)	30,000	30,000		2009-2010
21.	Popularization of military profession among civilian population	Ministry of Defence (Department for Public Relations)	50,000	50,000		2009-2010
22.	Electronic edition of the "Defence" Magazine	Ministry of Defence (Department for Public Relations)	4,000	4,000		2009
23.	Refurbishing of the Central House of Serbian Army Building	Ministry of Defence (Department for Public Relations)	500,000	100,000	400,000	2009-2010
24.	Repairs in the building of Military Film Centre "Zastava Film"	Ministry of Defence (Department for Public Relations)	250,000	50,000	200,000	2009-2010
25.	Online E-commerce introduction and online selling of Ministry of Defence and Armed Forces of Serbia promo materials	Ministry of Defence (Department for Public Relations)	3,000	3,000		2009-2010
26.	Construction of Film and TV Studio and refurbishing of the existing facilities	Ministry of Defence (Department for Public Relations)	3,000		3,000	2009-2010
27.	Establishing of an ENG crew	Ministry of Defence (Department for Public Relations)	3,000		3,000	2009-2010

Table 66. Priority reform Projects in the defence sector for 2009-2011

Title of the Project	Relevant Institution (Organizational Unit)	Estimated Value of the Project (in EUR)	Information on Sources of Funding		Planned Time Period for Project Realization
			Own Resources	External Sources of Funding	

Title of the Project	Relevant Institution (Organizational Unit)	Estimated Value of the Project (in EUR)	Information on Sources of Funding		Planned Time Period for Project Realization
			Own Resources	External Sources of Funding	
1. PRISMA Project: • to continue professional re-training courses for former non-commissioned members of Armed Forces of Serbia, together with lodging and meals for Courses' attendants; • to continue cooperation on NATO/Partnership for Peace Trust Fund Project and to provide conditions for inclusion of professional soldiers in this Project; • to use existing business incubators in the Republic of Serbia for the needs of PRISMA Program beneficiaries, in cooperation with NATO/Partnership for Peace Trust Fund and Ministry of Economy and Regional Development of the Republic of Serbia; • Galvanizing media support and marketing activities	Ministry of Defence (Human Resource Sector - Directorate for Retraining)	- 900,000 - 3,500,000 - 300,000 - 45,000 Total 4,745,000		Donations	2009-2011
2. Reform of Civilian Protection	Government of the Republic of Serbia (Ministry of Defence – Department for Emergency Situations)			IPA 1,855,670	2009-2011
3. Construction, establishing and equipment for two educational and rescue centres (civilian protection bases) in Belgrade and Novi Sad	Government of the Republic of Serbia (Ministry of Defence – Department for Emergency Situations)			IPA 2,783,505	2009-2011
4. Regional Centre for ABCP	Ministry of Defence (General staff)	345,000		345,000	2009-2011
5. Establishing of a Simulation Centre	Ministry of Defence (General staff)	1,749,000*	383,000	500,000	2009-2011
6. To include Military High School in the High Schools Educational System of the Republic of Serbia	Ministry of Defence (Sector for Human Resources – Military Academy)	1,670,000		1,670,000	2009-2011
7. Establishing of a Media Centre of the Republic of Serbia Ministry of Defence	Ministry of Defence (Department for Public Relations)	45,000	15,000	30,000	2009-2010
8. Construction of a modern information system for Ministry of Defence operations	Ministry of Defence (Department for Budget and Finances)	5,000,000	500,000	4,500,000	2009-2011

Title of the Project	Relevant Institution (Organizational Unit)	Estimated Value of the Project (in EUR)	Information on Sources of Funding		Planned Time Period for Project Realization
			Own Resources	External Sources of Funding	
9. Construction of an information and management system in case of a chemical catastrophe in the territory of the Republic of Serbia	Ministry of Defence (Department for Emergency Situations) and Ministry of Environment and Spatial Planning	679,381	15,463 (NIP for 2008)		2009-2010
10. Regional Centre for Maintenance and Demilitarization of Ammunition	Ministry of Defence (Sector for Material Resources)	2,450,000		2,450,000	2009-2011
11. IT equipment and network equipment and design and construction of the IS VOJEVID information system for recording data and database management of military, working and material obligations	Ministry of Defence (Sector for Human Resources – Directorate for Defence Obligations)	1,820,000		352,000	2009-2011
12. Centre for Peace Operations	Ministry of Defence (General staff)	92,400		92,400	2009-2011
13. Regional Centre for Training of First Level Medical Corps Staff	Ministry of Defence (General staff)	75,000		75,000	2009-2011

**NOTE: The total amount (sum of own resources and external sources' funding) does not present the total value of a Program, since the US EUCOM promised to finance – donate funds for one portion of this Program (for training courses for the Simulation Centre staff).*

3.19. Human and Minority Rights

OVERVIEW of the current situation

Institutional Framework

According to the Law on Ministries that became effective as of July 5, 2008, after it was published in the "Official Gazette of the Republic of Serbia", Ministry for Human and Minority Rights performs state administration tasks in relation to the following: general issues in relation to the position of ethnic minority groups members; record keeping for National Councils of Ethnic Minority Groups; election of members for National Councils of Ethnic Minority Groups; protection and improvement of human and minority rights; drafting of legal acts on human and minority rights; monitoring of harmonization of domestic legal regulations with the international agreements and other international legal acts on human and minority rights; representation of the Republic of Serbia before the European Court for Human Rights; position of ethnic minority groups' members living in the territory of the Republic of Serbia and exercising of their rights; assuring relations between the ethnic minority groups with their countries of origin; antidiscrimination policy; position and tasks and responsibilities of National Councils of Ethnic Minority Groups; harmonization of work between different bodies of state administration in the area of human rights protection, as well as other responsibilities and tasks that were prescribed in relevant legal acts and regulations.

Mandate of the Ministry for Human and Minority Rights is in practice realized through implementation of the following activities:

- Reporting on activities and performance in relation to different European and UN Conventions,
- Protection of human and minority rights,
- Implementation of anti-discrimination policy,
- Undertaking activities for the Commission for Missing Persons, related to monitoring, analysing and recommending solutions for solving cases of the missing persons from the territory of the Republic of Serbia, since armed conflicts on the territory of Ex-YU and the Autonomous Province of Kosovo and Metohija; executing obligations established by international agreements related to solving issues of missing persons; coordination of the activities of competent bodies and organization of the searching for missing persons, exhumation and their identification; cooperation with competent institutions, families and associations for missing persons in order to solve statutory issues for missing persons and humanitarian issues of their families.
- Activities of the Office for Roma National Strategy,
- Activities of the Office for Readmission in the "Nikola Tesla" Airport (first shelter and legal advice and assistance for repatriates)
- Financing of National Councils for Ethnic Minority Groups
- Cooperation with non-governmental organizations in the area of human and minority rights
- Normative and legal activities in the area of human and minority rights
- International and regional cooperation in the area of human and minority rights
- Acting upon citizens' complains

Overall aim of Ministry work is to promote and enhance the general culture of human and minority rights in the Republic of Serbia and to coordinate activities of state bodies and institutions on central and on the local levels within its area of work.

Ministry for Human and Minority Rights consists of the following organizational units:

- Sector for Enhancing and Protection of Ethnic Minority Groups' Rights,
- Sector for Enhancing and Protection of Human Rights,
- Sector for International Cooperation and Integrations,
- Sector for Legal Representation of the Republic of Serbia before the European Court of Human Rights,
- Sector for Legal and Common Affairs.

Legal Framework

General regulations

- 1) Constitution of the Republic of Serbia (Official Gazette RS No. 98/06, 10. November 2006)
- 2) Law on the Government of the Republic of Serbia (Official Gazette RS No. 55/2005 and 71/2005)

- 3) Law on Public Administration (Official Gazette RS No. 79/2005_
- 4) Law on Ministries (Official Gazette RS No. 65/2008 , 5 July 2008)
- 5) Law on Civil Servants (Official Gazette RS No. 79/2005, 81/2005, 83/2005, 64/2007 and 67/2007)
- 6) Budget Memorandum

Ministry for Human and Minority Rights is competent for the following regulations:

- 1) Law on Protection of Rights and Freedoms of Ethnic Minority Groups (Official Gazette SRJ, No. 11/2002)
- 2) Law on National Councils for Ethnic Minority Groups (Official Gazette RS No. 72/2009)
- 3) Law on Anti-discrimination (Official Gazette RS No. 22/2009). The Law was submitted by the Ministry of Labour and Social Affairs and the Ministry of Human and Minority Rights participated in preparation of the legislative text given the fact that the anti-discrimination policy is within the competences of this Ministry.
- 4) Decree on the Council of National Minorities of the Republic of Serbia (Official Gazette RS No. 50/2009)
- 5) Decree on the Representative of the Republic of Serbia in front of the European Court for Human Rights (Official Gazette RS No. 61/2006)
- 6) Decision on establishing of the Commission for Missing Persons (Published in the Official Gazette RS No. 49/06, 73/06 and 116/06)

A. UN DOCUMENTS establishing international standards for human rights, the implementation of which is within the monitoring competences of the Ministry and international agreements constituting integral part of the internal legal system stipulating particular mechanisms of supervision to be obeyed by the Republic of Serbia: regular reporting to the UN bodies on the implementation of the respective international agreements and participation in the judicial proceedings according to individual complains of physical persons against the state.

- Universal Declaration of Human Rights
- International Treaty on Civil and Political Rights(+ 2 optional Protocols)
- International Treaty on Economic, Social and Cultural Rights
- Convention on the Elimination of All Forms of Racial Discrimination
- Convention on the Elimination of All Forms of Discrimination Against Women (+ 1 optional Protocol)
- Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (+ 1 optional Protocol)
- Convention on the Rights of Child (+ 2 optional Protocols)
- UN Convention on enforcing the alimentary demands abroad (from 1956)
- Declaration on Tolerance

Ministry for Human and Minority Rights is in charge of preparation and presentation of the State Reports of the Republic of Serbia before the competent UN Committees as well as for the elaboration of the Universal periodical overview of the Human Rights Council, established for the purpose of improving of the situation of human rights in particular state , fulfil the obligations and responsibilities with regards to human rights and estimate improvements as well as problems that the particular state is facing , exchange best practices between states and other interested stakeholders. All UN Member States have to pass that procedure in a certain interval in time, which for Serbia was the case in December 2008.

Ministry for Human and Minority Rights prepares answers to the individual complains addressed to the Committees recognized by the Republic of Serbia, and submits the information through specialized procedures.

B. Council of Europe Documents establishing international standards for human rights, the implementation of which is within the monitoring competences of the Ministry, and foreseeing the submission of reports as a particular mechanism of surveillance on their implementation:

- European Convention for Protection of Human Rights - (the most developed system of human rights protection, through the European Court of Human Rights)
- The Revised European Social Charter
- Framework Convention for the Protection of National Minorities
- European Charter on Regional and Minority Languages
- European Convention on the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (members of the Committee visit the state in question, deliver the overview of the

situation in this area, whereas the state is obliged to provide members of the Committee with the answers for their inquiries)

Listed Conventions are key international Conventions for human rights and at the same time constitute the core activities of the Ministry.

C. International and Regional Agreements establishing international standards for the protection of human rights. Republic of Serbia ratified certain Agreements which from that moment onwards constitute the integral part of national legal framework.

- 1) Geneva Convention and Additional Protocols on protection of the victims of the war
- 2) UN Convention on the status of Refugees, July 1951.
- 3) UN Protocol on status of the Refugees, October 1967
- 4) UNESCO Convention against discrimination in education
- 5) ILO Convention No. 97 on Migrations, Annex 2
- 6) International Convention on suppression of women and children Trafficking
- 7) Convention on Political Rights of Women
- 8) General framework peace agreement in Bosnia and Herzegovina, provisions regarding missing persons;
- 9) Sarajevo Declaration

D. EU DOCUMENTS

EU Enlargement Strategy and Main Challenges
Action Plan for IPA programming for the Republic of Serbia
MIPD
MIFF

E. International and regional agreements signed by the Republic of Serbia and expecting ratification, with particular mechanisms of supervising of their implementation

- 1) UN Convention on Protection of migrant workers and their families
- 2) UN Convention on protection of persons with handicap (+ Optional Protocol)
- 3) UN Convention on protection of persons from the forced disappearance

BILATERAL AGREEMENTS

1. Agreement between Serbia and Montenegro and the Republic of Croatia on protection of rights of the Serbian and Montenegrin minorities in the Republic of Croatia and of the Croatian minority in Serbia and Montenegro (Official Gazette SCG – International Agreements No. 3/2005)
2. Agreement between Serbia and Montenegro and the Republic of Hungary on protection of rights of the Hungarian national minority living in Serbia and Montenegro and the Serbian national minority living in the Republic of Hungary (Official Gazette SCG – International Relations No. 14/2004;
3. Agreement between Serbia and Montenegro and the Republic of Macedonia on protection of Serbian and Montenegrin national minority in the Republic of Macedonia and the Macedonian national minority in Serbia and Montenegro (Official gazette SCG – International Relations No. 6/2005)
4. Agreement between the Federal Government of the Federal Republic of Yugoslavia and the Government of Rumania on cooperation in the area of the protection of national minorities (Official Gazette SCG – International Relations, No. 14/2004)

Ministry performs administrative and technical activities for the purposes of the functioning of the Government of Serbia Commission for Missing Persons. International documents, on which the work of the Commission is based, are the following:

- Cooperation Agreement between the Republic of Yugoslavia and Republic of Croatia in searching for the missing persons / signed November 17, 1995 in Dayton and the Protocol on cooperation between the Yugoslavia Federal Government Commission for humanitarian questions and missing persons and the Commission for captured and missing persons of the Government of Croatia – signed April 17, 1996 in Zagreb. These documents detail obligations and common working procedure of the competent government bodies in

charge of missing persons since armed conflicts on the territory of ex –YU in the period 1991-1995.

- Joint document of UNMIK and the Federal Republic of Yugoslavia signed November 2001 in Belgrade; Protocol on joint teams for the verification of secret prisons; protocol on exchange of the forensic experts and the expertises; Protocol on trans-border repatriation of the post mortal corps; General framework and the working regulation of the Working group for the persons registered as missing persons with regards to the events on Kosovo, within the dialogue Belgrade – Pristina, further detailing cooperation with UNMIK in the problematic of missing persons on the territory of the Autonomous Province of Kosovo and Metohija.
- Agreement on cooperation in searching for the missing persons, concluded between International Commission for missing persons and the Government of the Federal Republic of Yugoslavia Commission for humanitarian issues and missing persons (signed in Belgrade April 05, 2003.), regulating cooperation in the process of exhumation and identification of the post mortal corps, by using DNA methodology;

Documents in preparation:

- 1. Draft Law on recognition of the legal subjectivity;**
- 2. Strategy of the Sustainable return and remaining on Kosovo and Metohija**

Strategic Development Framework

Strategic framework for the functioning of the Ministry for Human and Minority Rights is based upon following general strategic documents:

- 1. National Program for Integration of the Republic of Serbia into the European Union and Medium-Term Priorities of European Partnership*

Commitments listed in the National Program for Integration of the Republic of Serbia into the European Union in relation to the area of human rights and protection of minority groups have mostly been harmonized with the Medium-Term Priorities of European Partnership, and they pertain to the following:

Protection of Human and Minority Rights:

- To meet all the obligations that result from the membership in the Council of Europe⁴⁴,
- To continue the process of deinstitutionalization; to improve the services that offer support for an integrated life in the community and assistance for dependent individuals, including the assistance in the area of mental health,
- To take action in cases of alleged abuses and to build the capacities of internal control service that deal with the cases of alleged police abuse⁴⁵,
- To improve conditions in prisons, to provide adequate monitoring of conditions in prisons for inmates that serve longer sentences, and also for the inmates that were sentenced for prison owing to their organized crime related activities, and to provide for further training for penal sanctions institutions' employees, and to improve the prison facilities for inmates with special needs,
- To improve the functioning of the Broadcasting Council in accordance with the international standards, to provide for a fair and transparent allocation of regional and local frequencies to media organizations,
- To adopt a law that regulates freedom of association and the legal status of NGOs; to encourage development of civil society organizations and to have regular consultations with these organizations on different political initiatives,
- To fully implement the Law on Free Access to Information and to build capacities of the Office of the Commissioner for Information of Public Importance in order to secure that the decisions and/or recommendations are implemented,

⁴⁴ It is in the jurisdiction of Ministry for Human Rights to represent the Republic of Serbia before the European Court for Human Rights and to influence the state institutions so that they meet their obligations.

⁴⁵ Direct jurisdiction of the Ministry of Interior, Ministry for Human and Minority Rights is tasked with providing support to Ministry of Interior.

- To adopt a law on restitution of property confiscated by state institutions and to ensure that it is fully implemented,
- To improve the protection of rights of women and children⁴⁶,
- To take care that the Constitutional regulations on culture and minority rights are respected, and complete implementation of Strategy and Action Plan documents that are important for integration of repatriates, including the repatriates,
- To continue to promote good interethnic relations, and the measures taken in the area of education; to strengthen the work of the Council for Ethnic Minority Groups, and to adopt the remaining legal acts; to promote participation of minority groups' members in judiciary and in Police, and to continue the activities aimed at awareness raising, including the use of different minority groups' languages,
- To harmonize the relevant legal regulations with the new Constitution and to provide for a complete protection of minority rights, and especially of the right to education in one's native language⁴⁷,
- To adopt a new Law on Refugees and to continue to implement the National Strategy on Refugees.
- To promote the principle of tolerance and accepting differences
- To improve the implementation of the mediation procedure and the alternative conflict solving
- To coordinate and intensify intersectoral cooperation as well as cooperation with the civil sector in order to pursue anti discrimination policy

2. Poverty Reduction Strategy

Due to an exceptional deprivation of the Roma community, Ministry for Human and Minority Rights has introduced its Office for Roma National Strategy Implementation, to perform the following tasks: coordination and cooperation with relevant Ministries with an aim to initiate, produce and implement operational measures for implementation of Roma National Strategy and for implementation of national action plan documents for improvement of position of Roma population; cooperation with local self-government units with the aim to implement local action plans and to improve the position of Roma people in local self-governments, participation in implementation of affirmative action measures, offering expert support to the Council for Improvement of Position of Roma People and for Implementation of the Decade of Roma Inclusion, monitoring of implementation of "Roma Decade 2005-2015" in Serbia, preparation of necessary materials and participation in international activities that were organized as a part of the "Roma Decade 2005-2015" Process, taking part in working groups for action plan documents implementation aimed at improvement of position of Roma people, cooperation with the National Council for Roma Ethnic Minority, Roma non-governmental organizations and Roma communities in Serbia; cooperation in production of reports on realization of international documents and commitments stemming from these documents in the area of Roma people position improvement, taking part in experts' meetings with teams and institutions in charge of implementation of reform processes that are important for Roma integration; and other tasks from the jurisdiction and scope of work of this Office.

To this end, all the priority objectives that stem from the Poverty Reduction Strategy and pertain to the Roma population are significant for the work of the Ministry:

- Eradication of all forms of discrimination for Roma people,
- To legally regulate relationships between different actors in the area of employment (and self-employment), and access to educational institutions on all the levels of educational system,
- To resolve housing problems,
- To resolve primary level health care problems,
- Implementation of affirmative action principle in all the above mentioned areas.

In a similar manner, the Poverty Reduction Strategy emphasises that poverty as a social phenomenon influences the potential to exercise the following human rights:

- Right to an adequate standard of living,
- Right to adequate accommodation,
- Right to education,
- Right to work,
- Right to health care,
- Right to protection of family,
- Right to privacy,

⁴⁶ Jurisdiction of the Ministry for Work and Social Policy and of the Ministry for Human and Minority Rights.

⁴⁷ Jurisdiction of the Ministry for Work and Social Policy and of the Ministry for Human and Minority Rights.

- Right to recognition of individuals before court and right to registration,
- Right to life and physical integrity,
- Right to a just trial,
- Right to participation in political, social and cultural life.

It is the task and responsibility of the Ministry to make tangible contribution to the equal access to rights for all categories of population, and especially for the underprivileged population groups.

3. Strategy for the Development of the Adult Education in the Republic of Serbia (Official Gazette RS No. 55/05 and 71/05)
4. National Employment Strategy for the period 2005-2010 (adopted December 27, 2006)
5. National Strategy for the Improvement of the position of women and for improvement of gender equality (adopted in March 2009)
6. Memorandum on Budget and economic and fiscal policy for 2009, with projections for 2010 and 2011.

Particular strategic documents within the competences of the Ministry

1. Strategy for the Improvement of the Position of Roma, adopted April 9, 2009.
2. Strategy for the Reintegration of Returnees in line with Agreement on Readmission

Team for implementation of Strategy for Reintegration of Returnees, which is based on the Readmission Agreement, consists of the representatives of the Ministry for Human and Minority Rights, too. This Team is a coordination and experts' body that has been tasked with application of strategic objectives of this Strategy.

Measures that the Ministry for Human and Minority Rights is directly responsible for are as follows:

1. to provide information for returnees about the process of readmission, their rights, available options and obligations of the repatriates, as well as information about all other issues in relation to a successful integration in their broader and immediate environment while respecting the differences, specific cultural and language characteristics. Information should be provided both for repatriates that have already returned to the country, and for the potential repatriates that are expected to return to the country.
2. To provide information, educational courses and incentive from the local self-government bodies in the process of accepting of repatriates, education of employees in the local self-governments through training courses, seminars, end publishing of brochures that contain relevant information for effective work with repatriates.

Strategy for the Migrations Management, adopted July 23, 2009

The objective of this Strategy is monitoring and management both legal and illegal migration processes. This document represents a kind of an umbrella strategy, given that it encompasses different sectoral strategies in various migration related areas, such as Strategy for resolving issues of refugees and displaced persons, Strategy for the reintegration of returnees according to the Agreement on readmission, Strategy for fight against illegal migrations, Strategy for the improvement of the position of Roma and Strategy for the return of the displaced persons to Kosovo and Metohija. For the implementation of the Strategy, a Coordination body has been established at the ministerial level to monitor and manage migrations. Minister for Human and Minority Rights is a member of the Coordination body, the task of which is to ensure the implementation of the strategic goals of the Strategy, i.e. to supervise migration processes, create policies in that area, sets the respective guidelines and manage migratory flows. For the purpose of the daily operational implementation of the Strategy, an intersectoral expert working body has been established with the task to monitor, report on and coordinate activities of the line ministries, related to the implementation of the Strategy and to the work of the Coordination body.

Strategy for Fighting Illegal Migrations, adopted early in 2009.

The objective of this document is suppression and prevention of all the illegal migratory flows taking place across and over the territory of the Republic of Serbia, and the core institution for the implementation is the Ministry of Interiors, whereas the Ministry for Human and Minority Rights is a cooperation partner for the implementation of the Strategy.

National Strategy for resolving issues of Refugees, adopted in 2002.

Likewise, the following Action plans are of the essential importance for the work of the Ministry for Human and Minority Rights:

1. Action Plan for the implementation of the Strategy for the Improving of the Position of Roma
2. Action Plan for the implementation of the Strategy for the reintegration of returnees according to the Agreement on Readmission, adopted April 2009.
3. Action Plan for the Roma employment
4. Single Action Plan for the Roma education
5. Action Plan for accommodation
6. Action Plan for the health of Roma
7. Action Plan for the implementation of the objectives of the *Civilisation Alliance* – the initiative for the establishing of the *Civilisation Alliance* was given by the Kingdom of Spain on the occasion of the UN General Assembly in 2004. The Secretary General of the UN officially presented *Civilisation Alliance* as the UN initiative in 2005, with the main feature in approximation and familiarization of the western Christian civilisation and the Muslim civilisation. For the purpose of the implementation of the Alliance's goals, the *National Plan for the Implementation of the goals of the Civilisation Alliance* is being finalized. The process is coordinated by the Ministry of Foreign Affairs, whereas the Ministry for Human and Minority Rights contributed in written input and is an active participant in the development of this document.

Current Status of Realization of the Most Important Projects/Programs

In 2008, the Ministry for Human and Minority Rights took over the commitments and results of work of the Service for Human and Minority Rights, which completed the implementation of *Awareness Raising Project among the state institutions and bodies on the local level and among individuals/repatriates on resolving the problems of the repatriates* in March 2008. The Project was aimed at providing better integration of repatriates according to the Readmission Agreement through awareness raising campaign among institutions on the national and local levels about the existing problems and potential ways to resolve the problems of repatriates.

Service for Human and Minority Rights of the Republic of Serbia organized 10 training courses for the representatives of employees in public administration and state institutions in ten towns throughout Serbia with the support from the Development Programme of the United Nations (UNDP), with the aim to inform them about the problems that repatriates that return to the country on the basis of the Readmission Agreement face, and also to present sustainable solutions for reintegration to repatriates, in the manner it had been envisaged in the "Guide for Action in Integration of Repatriates". The aforementioned Guidebook is a document that was produced by the Service for Human and Minority Rights in cooperation with the relevant Ministries, relevant state institutions and international and non-governmental organizations, with the aim to offer mechanisms for reintegration of repatriates on the basis of existing legal and institutional frameworks. Among other things, the training courses were aimed at educating the representatives of state administration about the traumas that people that were forcefully returned to their country of origin experience, and also with the necessity to understand repatriates' problems. Also, the necessity to apply special communication skills to communicate with repatriates was also underlined. Training courses of the Service for Human and Minority Rights were attended by the employees of state administration institutions on the local levels: representatives of different institutions for administration services of the MoI, municipal commissioners for refugees, representatives of source services, health care institutions, branch offices of the Republic Institute for Medical Insurance, representatives of different municipal bodies, services for social activities, branch offices of the National Employment Service, welfare centres, and so on. Since the attendees of the training courses were employees with substantial experience in practical work with vulnerable groups, most of the activities were performed through an interactive exchange of information and experiences between the trainers from the Department for Human and Minority Rights and participants, and among the participants themselves during the training courses.

One of the important activities within this Project was related to support for children from repatriates' population for their successful integration in the educational system in Serbia. This activity consisted of work with children to teach them Serbian language, that is, the language that was used in educational courses in schools, in 15 municipalities in Serbia with highest concentration of repatriate population. We included the schools in Zemun, Mladenovac, Novi Beograd, Kikinda, Zrenjanin, Kraljevo, Krusevac, Zajecar, Nis, Negotin, Vranje, Tutin, Bujanovac, Sjenica and Novi Pazar. The activity focused on integration of children into the educational system envisaged assistance in recognition and translation of diplomas for children that started their educational courses in countries in Western Europe.

Ministry for Human and Minority Rights coordinates activities of the Government of the Republic of Serbia with regards to the international initiative on Decade of Roma Inclusion 2005-2015. Serbia held the chairmanship of the Decade from July 1, 2008 to June 30, 2009. Priorities of the Serbian presidency

were: housing, fighting discrimination in education, development of the European Roma platform and benefiting from the EU Funds for programs aimed at improvement of the Roma position, and for the development of the system of monitoring and evaluation. During Serbian presidency, three International Steering Committees took place, with adopting conclusions on priority topics, as well as three international workshops that dealt with particular questions on accommodation and development of the system of monitoring and evaluation. Likewise, a meeting of the representatives of the former Yugoslavian countries was held, with the aim to reach an agreement on cooperation concerning Roma refugees, displaced and returnees according to the agreement on readmission, on standardization of Roma language and on access to EU Funds for the Roma projects in accession countries. The topic of suppression of discrimination in education was considered on the international conference "The Right to Education for Every Child: Removing barriers and Fostering Inclusion for Roma Children", whereby the so called Belgrade Document was agreed and it should present a sort of the roadmap for the states participating in the Decade, with regards to Roma education.

Besides the cooperation on the international level, the Government of Serbia has worked on establishing of the bases for the systemic approach in Roma education. Necessary strategic documents were adopted:

- Strategy for the improvement of the position of Roma, adopted by the GoS April 9, 2009.
- Action Plan for the implementation of the Strategy, including definition of budgetary resources, adopted by the GoS on July 2, 2009;
- Overview of the existing strategic documents on the level of the local self-government units, based on the questionnaires distributed by the units of local self-government.

Establishing of structures for implementation of Strategy and APs for improvement of position of Roma people

Two sessions of the Council for the improvement of the position of Roma and for realisation of the Decade were held. The Office for the implementation of the Roma national strategy of the Ministry for Human and Minority Rights provides the Council with professional and administrative support;

- Working groups for the implementation of the Strategy were established in line ministries and within the Commissariat for Refugees;
- A Government working group for the development of the Plan for the social inclusion of Roma temporarily inhabited in informal settlements was established.

IPA

European Union allocated 1,5 million EUR to support strengthening of the capacities in Serbia in the area of human rights. The Project duration is 18 months and the Ministry of Human and Minority Rights is the first beneficiary of the project. The overall objective of the Project is to contribute to the implementation of the standards in human and minority rights and for the protection of minorities in Serbia, and harmonization with the acquis. Project purpose is to strengthen national and local level institutions to coordinate, implement, supervise and estimate the level of human rights protection in Serbia, and thus fulfil the obligations of the membership in the UN and the Council of Europe.

Early in 2009, detailed project documentation was elaborated and in the second half of the year the public procurement procedure was launched to select technical assistance for the Ministry. Inception phase of the Project is expected in early 2010.

Rising awareness and visibility of the overall area of human and minority rights

In 2010, Ministry is planning to find the extra-budgetary resources for the competition of NGOs and the media in Serbia, to help mainstreaming of the human and minority rights for the public opinion in Serbia. This is one of the important indicators of the EU accession, but is also a need for the civilisation step forward in understanding of the perspectives of this topic in a complex community that Serbia is.

Priority measures in 2009:

Table 67. Budgetary resources for the realisation of the priority measures in 2009, with relations to the implementation of the Strategy for the improvement of the position of Roma, after the budgetary rebalance in March 2009

Title of the Institution	2009.
Ministry of Education	44.498.000

Ministry of Health	18.500.000
Ministry of Environment and Spatial Planning	14.000.000
Ministry of Economy and Regional Development	255.000.000
Commissariat for Refugees	150.000.000
Ministry of Labour and Social Policy	7.000.000
Ministry for Kosovo and Metohija	2.500.000
Ministry of Culture	12.155.913
Ministry of Human and Minority Rights	22.200.000
TOTAL:	525.853.913

As regards particular sectors, in 2009 the following has been achieved:

Health

- 60 health mediators engaged;
- Competition of the Ministry of Health completed for public health projects and sanitary and epidemiological conditions improvement in Roma settlements, with 29 projects approved totalling 7 million RSD. Projects are being implemented by health care institutions and Roma NGOs.

Employment

- Competition for public works completed, whereby the resources have been approved for the projects submitted by the National Council of the Roma National Minority and by 12 Roma NGOs, in the total amount of about 50 million RSD.

Education:

- the Law on the basis of the Education System implies novelties that will create systemic preconditions for the access of Roma to the quality education, for example, the introduction of pedagogical assistants is envisaged, changes in the procedure of the reception and financing;
- Since September 2009 in elementary schools in Serbia a total number of 50 Roma assistants were engaged (26 new and 24 of them recruited in the previous period). Assistants completed 2 of 7 planned modules of training. The recruitment of Roma Assistants is implemented by OSCE within the scope of the programme financed by EC. The new Law sets for the first time the necessary preconditions for hiring Roma Assistants.
- Free school books for all the pupils in the first grade of elementary school.
- Ministry for Human and Minority Rights allocated funds for purchasing 400 sets of school books for Roma pupils in elementary schools
- Affirmative action measures resulted in 2009/2010 in the inscription of 212 pupils;
- The inscription to high schools and faculties with the implementation of the measures of the affirmative action is ongoing;
- Ministry of HMR together with the Ministry of Interiors and the OSCE Mission to Serbia is trying to increase the participation of Roma in the school for interior affairs.

Accommodation:

- Ministry of Environment and Spatial Planning approved in December 2008 financial resources for the elaboration of planning documentation for 11 Roma settlements in 9 units of local self-government

Culture:

- Ministry of Culture undertakes competition in cultural creativity and media for national minorities

Youth and Sport:

- Ministry of Youth and Sports supports the competitions for the youth NGOs, whereby a certain number of projects were approved also for the Roma NGOs, mostly for education.

Development of the System for Monitoring and Evaluation:

- MHMR supported the UNDP initiative for the development of the national monitoring framework for the 4 Action Plans within the Decade of Roma Inclusion. Representatives of the competent line ministries took part in this process, as well as Commissariat for refugees and non-governmental and foreign organizations;
- Ministry supported the activities of the Open Society Fund for the development of indicators on equal access to the quality education for Roma;
- With the support of the UNDP, OSCE and UNHCR, the following activities were undertaken:
 - 3 round tables were held on: reporting on the implementation of the International Treaty on civil and political rights; Implementation of the International Treaty on economic, social and cultural rights: Defenders of human rights
 - Conference: Reform of the reporting system to the UN agencies
 - Publishing of the COOPERATIVA manual for high school students for the development of skills of communication and conflict prevention;
 - Signed Memorandum on cooperation with over 130 NGOs for the establishment of the mechanism of cooperation with civil society (signing of the Memorandum continues as the new NGOs apply)
 - Celebration for the Tolerance Day and Human Rights Day
 - Collection of data for the needs analyses of the MHMR

MEDIUM-TERM OBJECTIVES

On the basis of the above mentioned strategic documents, the Ministry of Human and Minority Rights has determined the following medium-term priority objectives:

- To strengthen the capacity of the Ministry of Human and Minority Rights,
- To improve cooperation with the civil sector,
- Improved mechanism for reporting on implementation of different Conventions,
- To build an efficient system for human rights protection before the European Court for Human Rights that also serve to safeguard the right to an effective legal remedy,
- Strengthening of human rights culture,
- To improve the policy of anti-discrimination,
- To produce Draft Law on National Councils for Ethnic Minorities, Draft Law on Amendments and Addenda to the Law on Protection of Ethnic Minorities' Rights and Freedoms, Draft Law on Procedure to Recognize Legal Subjectivity, and Draft Law on Ban on Discrimination,
- To elect National Councils for Ethnic Minorities' representatives,
- Support to National Councils for Ethnic Minorities to secure that the constitutional provisions that regulate the area of culture and minority rights are respected,
- Promotion of ethnic minority communities and ethnic minorities' languages,
- Improved access for Roma people to all the rights and improvement of level of their integration in social and political life and activities,
- Protection of underprivileged migrant groups, with a special attention to the integration of repatriates.

Table 67. Priority Reform Projects in the Area of Human and Minority Rights for 2009 -2011

Title of Project	Relevant Institution	Estimated Value of the Project (in EUR)	Information on Sources of Funding		Planned Beginning of Project Realization	Documentation Status
			Own funds	External Sources of Funding		

1. Implementation of priority tasks in the area of human rights and ethnic minorities' protection – IPA 2007	Ministry for Human and Minority Rights	EUR 1.500.000,00	/	1,500,00.00 IPA 2007	Sept/Oct 2009	Inception phase expected to start in early 2010
2. Serbian Presidency of the "Roma Inclusion Decade 2005-2015"	Ministry for Human and Minority Rights	RSD 3,844,118.50 ~ EUR 40464	RSD 3,844,118.50		Jan 2009	Budget Financing
3. Support to integration of repatriates	Ministry for Human and Minority Rights	EUR 100,000			Sept 2009	Draft Project
4. Improvement of position of Roma people in Western Balkans through efficient institutions and reliable monitoring on local and central levels	Ministry for Human and Minority Rights	USD 260,000				The Project is in its implementation phase, and its continuation has also been planned
5. Support to realization of Action Plans for priority areas of the Roma Decade				500,000		Project is in preparatory phase
6. Capacity building (human and material resources) of the National Councils for Ethnic Minority Groups				300,000		Project is in preparatory phase
7. Promotion of culture and languages of national minorities				200,000		Project is in preparatory phase
8. Support to improvement of monitoring of human rights, reporting and implementation of international Conventions				500,000		Project is in preparatory phase
9. Competition for the NGO sector and the media for awareness rising and visibility of human rights protection	MHMR	400.000€			Sept 2010	Project in preparation

3.20. Youth and Sports

Based in the Article 16 of the Law on Ministries ("Official Gazette of the Republic of Serbia", No. 65/08), the Ministry performs tasks of state administration that pertain to: the system, development and improvement of youth policy and implementation of national policy and national strategy for the young, and also to the action plan documents and programmes; galvanizing the young to get organized and associated, and also to take an active part in social events; protection of interests of the young people, and assistance to the young to realize these interests; advice and counselling of the young, and employment- and volunteerism-related education; stimulus to informal education of the young; cooperation with youth organizations and associations in organizing international youth events and gatherings in the Republic of Serbia; assistance and cooperation with youth organizations in their work and promotion of youth policy and youth organizations and associations; enabling youth organizations and associations from the Republic of Serbia to take part in gatherings and events for the young abroad; stimulating and enabling international cooperation that is related to the young; monitoring and evaluation of the position and role of the young in the Republic of Serbia, creating conditions for establishing and work of national and regional Offices for the Young; stimulating development of youth policy and work of the Offices for the Young on the local level, as well as other tasks according to the law.

The Ministry performs the tasks of state administration that also pertain to the following: system, development and promotion of sports and the athletic culture in the Republic of Serbia; implementation of national policy in the area of sports and implementation of the National Strategy for Development of Sports; administrative and experts' supervision in the field of sport; realization and monitoring of implementation of action plan documents and programmes that contribute to the development of sport in the Republic of Serbia; participation in construction, equipping and maintenance of sport facilities and sports infrastructure of importance for the Republic of Serbia; development and realization of international cooperation in the field of sports; creation of conditions for better access to sports for all citizens, as well as other tasks prescribed by the law.

Long-term objective of the Ministry of Youth and Sport is to improve the position of the young people and to improve the quality of life for the young, active participation of the young people in all the areas of social life, and above all in designing and implementation of youth policy, development of sports in the Republic of Serbia, coupled with providing better conditions for training for professional athletes, but also for the development of recreational athletic activities and of athletic activities in schools, which is fundamental for recruiting the future athletic champions.

The vision of this Ministry is for Serbia to become a country in which the young can take active part in all the spheres of social life and have equal rights and potentials for complete development of their own potentials. This entails their active role in family life, education, employment, health care and in the social life in its entirety, as well as creating conditions for the young people to acquire new skills and experiences, to socialize with their peers throughout the world, to travel and to return to their own country, in which they can actively, responsibly and industriously apply all their knowledge and skills and lead a quality life.

Inclusions of a broadest segment of society in sports and athletic activities, and popularization of sports among the young people have been listed among the top priority interests of the State. This entails paying special attention to the inclusion of the broadest possible number of the children of very young age in athletic activities. This primarily pertains to inclusion of a broadest possible number of children and young people in a comprehensive and organized system of school competitions for pupils and students beginning with the schools' and faculties' levels and all the way to the Republic level of competitions. Sports include all the different kinds of athletic activities that are, through casual or organized participation of individuals, aimed at improvement of physical and mental health, education, social liaisons or achievement of results in competitions.

In relation to the above mentioned, general strategic objectives of the Ministry of Youth and Sport are as follows:

- To encourage the young people to play an active role in their society;
- To develop cooperation among the young people and to provide preconditions for youth participation in the decision making process through a sustainable institutional framework, and based on the needs of the young people and in partnership with the young;
- To develop a system to provide information relevant to the young people on all levels and for all areas;
- To provide for realization of rights to equal chances for all the young people in the society, and especially for the young that live under difficult conditions;
- To encourage and reward special achievements of the young people in different areas;
- To improve potentials for quality spare time and leisure activities of the young;
- To develop an open, effective, efficient and just system of formal and informal education that is accessible to all the young people and that is harmonized with the international trends in education and also with the educational context in the Republic of Serbia;
- To encourage and stimulate all the forms of employment, self-employment and entrepreneurship of the young;
- To improve the safety levels for the young;
- To preserve and improve health levels of the young people, to reduce risks and leading health disorders and to develop health care that is adapted to the needs of the young people;

- To build capacities of the young people for implementation of initiatives and activities that are harmonized with the primary objectives of sustainable development and healthy environment;
- To create suitable infrastructure by means of construction, equipping and maintenance of athletic facilities that contribute to the development of sports in the entire territory of the Republic and that provide preconditions for achievements of the best results in sports, coupled with the construction of sports facilities in underdeveloped regions of the country;
- Access to athletic schools' educational programmes and camps for the most talented young athletes;
- Inclusion of the elderly people in athletic activities by means of campaigns with the "Sports for All" slogan, and support for successful programmes that are independently organized;
- Encouragement, emphasis and development of first-class sports activities by means of realization of programmes of the athletic associations, as well as a system of grants for the top-class athletes, awards and national sports acknowledgements according to the clearly defined criteria;
- Prevention of negative phenomena in sports (doping, violence and inappropriate behaviour) and improvement of health protection for the athletes.

Bearing in mind all these objectives, as well as the legally prescribed obligations, the remit of this Ministry in 2009 was realized through the implementation of National Youth Strategy: (adopted on May 9, 2008) and the Action Plan for implementation of the national Youth Strategy (adopted on January 22, 2009). Also, the implementation of strategic documents was achieved through: support to establishing and strengthening of Offices for the Young on the local level, capacity building for youth organizations and support to their respective project activities, comparative analysis of legal regulations with the aim to produce legal regulations, functioning of the Fund for Young Talents, improvement of international cooperation and realization of projects that were supported by different donors' funds.

With the aim of the implementation of the National Youth Strategy, establishment of the local youth offices was continued by the local self-governments and until now there are 93 of them. The plan is to have more than 100 local youth offices by the end of 2009. Also, the plan is that at least 40 local youth offices adopt their strategic documents related to youth care (local action plans).

Support to the youth associations and their project activities related to youth policy was achieved through 17 open competitions during 2007 and 2008 were 242 projects were adopted for funding in the overall amount of 350.331.578,41 RSD, while in 2009 the assistance was provided through 10 open competitions for the civil associations (achieving the goals of the National Youth Strategy and activities planned by the Action plan on the national, regional and local level, especially in the field of employment, entrepreneurship, health, non-formal education, active participation of youth in society, volunteerism, social inclusion, sustainable development, safety; international cooperation in the field of youth policy; trainings of educators, youth informing on healthy life styles, training of youth for project development and their involvement in the EU programs and European integration). Projects are in line with the priorities defined in the European Commission's document "Youth: Investment and Empowerment". Until now, through these competitions 111 projects were approved for funding in the overall amount of 147.932.185,00 RSD. Besides that, 32 youth organisations were selected to participate in trainings related to project preparation and project cycle management.

The law on Youth is in the process of drafting as well as the Strategy for career guidance and counseling together with the Action plan.

Fund for Young Talents of the Republic of Serbia was founded with the aim to offer support to young and talented students for their education and specialisation. From the date when the Decision on Establishing of Fund for Young Talents of the Republic of Serbia went into effect ("Official Gazette of the Republic of Serbia", No. 71/08) on August 2, 2008, until now, more than 2200 young talents were rewarded in the overall amount of 500.000.000,00 RSD. The Fund awards financial assistance on the basis of competitions: to students on the last year of basic studies, as well as on the studies of second and third degree on the universities in the EU member countries and European Association for free trade and on the leading universities in the world, to the best students of the last year of the basic academic studies and the last year of master academic studies on the higher education institutions founded by the Republic of Serbia, to students and high school students for professional practice and study visits in the EU countries and the European Association for free trade, as well as to award high school students for results on the competitions in the country and abroad. The Fund achieved intensive cooperation with various institutions and corporations with the aim to enable good conditions for studying, specialisation and connecting young talents. Establishing the Centre for career guidance and counselling of young talents is in the finishing phase.

In the area of international cooperation, an intensive and proactive cooperation with the Council of Europe was achieved. On the initiative of the Ministry of Youth and Sports, Republic of Serbia joined Partial agreement Centre "North-South" and various activities are currently ongoing within this agreement. Also, in partnership with the Council of Europe two international conferences were organized; in October 2009 plan is to organize training "Democratic participation of youth". Cooperation with the European

Commission will be continued; one of the mid-term priorities is to establish National Agency for the Youth with the purpose of implementation of program "Youth in Action".

In June 2009 Memorandum of Understanding with the Republic of Greece was signed in the field of youth policy, as the first bilateral agreement in the field of youth policy. Agreement on cooperation with the Republic of Portugal is in the final phase and it is expected to be signed by the end of 2009.

Intensive cooperation regarding project preparation and implementation with the international partners is continued – UN agencies (IOM, ILO, UNICEF, UNDP...), OECD, USAID, Youth Build International, GTZ, ETF, Kingdom of Norway, Republic of Italy and others ("Development of Youth Entrepreneurship", "Enforcing Human Capital in Serbia through Active Participation of Youth", "Program for the Planning and Reacting in Crises and Building Economic Safety", "Transformation of Conflicts and Youth Empowerment", "School without violence", "Coordination and implementation of the National Youth Strategy", "Capacity Development for the Inclusive Local development in South Serbia", "Promotion and Peace Building in South Serbia", "Lifelong Entrepreneurial Education: Strategies and Protocol for Partnership Building in the area of Entrepreneurial Education in Serbia", "Supporting National Efforts for Youth Employment and Migrations").

As a part of the objective to achieve optimum standards in the area of athletic infrastructure, this Ministry conducted several studies that pointed out to the fact that the existing sports facilities are in a decline, mostly in bad condition and neglected and with unsuitable programmes and logistics elements, and also that their number is far less than the necessary one for implementation of athletic activities.

The Ministry of Youth and Sports respected the directive to build larger number of smaller athletic facilities instead of a small number of bigger ones, and during 2008 made infrastructure investments in renovation and construction of athletic infrastructure throughout the Republic that will be easily accessible for a larger number of young people, professional and recreational athletes. Ministry of Youth and Sport supported the concept of "Sports for All" in their efforts to offer adequate preventive athletic activity for all segments of population and their health problems, a psychological and social component of development and a constructive way to spend one's spare time, through the activities of the Project Management Sector, and they implemented the projects of construction, adaptation, equipment and renewal of athletic facilities in the Republic of Serbia.

In 2008, the Ministry implemented the total of 163 projects as part of its programme objectives', out of the original budget up to the point of its rebalancing. Out of its own budget, and for the total of 912 millions of dinars, the Ministry constructed 43 and renovated 41 facilities, technical documentation was provided for 10 new facilities, and 8 Offices for the Young People was renovated within a Project that was implemented in coordination with the Sector for Youth.

The Ministry had an important role to fulfil in the preparatory activities on athletic facilities for the 25th Summer Universiade Belgrade 2009, one of the biggest and most complex sports events that has ever been organized in our country, which presents something more than a mere sports competition, and has presented another chance to improve the overall public image of our country and also for the promotion of university sports as an important link between school sports and first-class athletic achievements. The total sum of 212 millions of dinars was allocated and disbursed for adaptation and renewal of athletic facilities and for reconstruction of infrastructural network, which added a value of new appearance for Belgrade and its surrounding area, and also new athletic facilities for our athletes and all citizens for their future use.

From the National Investment Plan funds 98 Projects were implemented (in total of 203 millions of RSD). By the end of 2009 the plan is to implement another 10 projects in the amount of 150.000.000,00 RSD. In 2010 and 2011, the plan is to implement projects which will be financed by the Ministry, National Investment Plan and EIB.

A clearly visible outcome of this Ministry in the area of infrastructure building in organization of construction works, from involvement in this business, linking of different locations, building and construction companies, users, managing different tasks in the environment of team work, with the tendency to construct athletic facilities, and to improve the use of the existing ones throughout the territory of the Republic of Serbia, was the fulfilment of their professional programme objectives of 85%.

As an effort to achieve one of their programme objectives, "Sport for All", a project to construct a fitness tracks in 20 cities and municipalities in Serbia in nature park areas, alongside athletic facilities and areas for sports, recreation and relaxation. These tracks for running will be 1,000 meters long and complete with fitness stations (workout areas) and outdoor furniture and workout equipment that was made of natural materials.

Initiation of the "Uniform Sports Halls for Indoor Team Sports" provides quick solutions for the problem of insufficient number of adequate athletic facilities throughout Serbia, and at the same time offers adequate conditions for athletic activities in all local communities.

In cooperation with the Republic of Serbia Ministry of Finance, Ministry of Foreign Affairs of the Kingdom of Norway and with the Football Association of Serbia, this Ministry started implementation of the mini-pitches for the young, primarily in communities that do not have public playgrounds, with the aim to promote healthy lifestyle, motivation of the young to take an active part in creation of social life of their communities and to prevent negative social phenomena and promote cooperation.

In June 2009, Government approved Ministry's participation in financing of construction of Sport Centre "House of Football" in Stara Pazova. This project started up in Cooperation of Football Association in Serbia, FIFA and UEFA.

As an effort to resolve the issue of lack of any source records of athletic facilities, the procedure to design adequate software application has been initiated, the "Registrar of Sports Facilities". During 2009 first trainings were delivered for the registered sport objects on the local level.

In December 2008, Serbian Government adopted the Strategy for Development of Sport, which is very important for sports in the Republic of Serbia. The following priorities were set within this Strategy document: athletic activities for children and youth, investments in reconstruction works on infrastructure and support to professional athletes. This is the first time in history of Serbian sports that directions for its further development have been identified and defined in this manner.

The Ministry started work on production of an Action Plan for Implementation of the National Strategy for Development of Sport early in January 2009. The Action Plan was adopted on 17 September, 2009. This document presents concrete activities, responsibilities, deadlines, expected results, indicators and budget. Parallel with the process of drafting of the Action Plan document, activities to achieve the objectives of this Strategy have been initiated, too: writing of a Draft Law on Sports, financing of sports activities through different programmes, education in the area of drafting programmes and plans for activities in athletic organizations, education in the area of doping in sports, education for coaches, activities in relation to prevention of violence in sports fields, etc.

Ministry of Youth and Sports made a proposal to the Government to adopt numerous Decisions to award athletes who won medals in Olympic sports competitions during the said period.

Besides these, sports programmes of general public and social interest were financed in line with the proposed programmes for approximately 100 Republic branch Associations.

In 2009, a large number of first-class athletes were awarded grants for specialized athletic courses, together with a number of athletes with special acknowledgements who were granted financial support. The most talented young athletes were offered the chance to attend specialized courses through a programme of athletic courses and camps.

Besides this, a lot has been done to prevent negative phenomena in sports (doping, violence and inappropriate behaviour in sports events), the Ministry worked intensively on the preparation of the Conference against racism and violence in sport which will be held in October 2009 in Belgrade. Ministry actively participated in the meetings within the Council of Europe.

Table 68. Priority reform Projects/Programmes of the Sector for Youth:

Project Title	Relevant Institution	Evaluated Value of the Project (in EUR)	Information on Sources of Funding		Planned Period of Project Implementation
			Own Funding	External Sources of Funding	
1. Youth Entrepreneurship Development in Serbia	MYS	EUR 456,683.00		456,683.00	2008-2009
2. Strengthening of Human Capital in Serbia through Active Participation of the Young	MYS, IOM	EUR 1,112,538.00 annually		1,112,538.00	2008-2011
3. Program for the planning and reacting in crises and enforcing economic safety	MYS	136,267.58* annually		136,267.58* for each year	2009-2010
4. Transformation of conflicts and youth empowerment	MYS	1,400,000.00		1,400,000.00	2009-2009 ⁴⁸
5. Coordination and implementation of the National Youth Strategy	MYS	2,200,000.00 ⁴⁹ annually	1.000.000,00	EUR 1,200,000.00	2010-2011
6. Action plan for National Youth Strategy implementation	MYS ⁵⁰	2,854,572.51 annually	1,935,326.90* (1.659.520,02* approved for 2009)	919,245.61* annually	2009-2014

⁴⁸ Negotiations with the Government of the Federal Republic of Germany and the Government of Serbia are currently ongoing for the second phase of the project 2010-2012

⁴⁹ Project proposed for the Norwegian bilateral assistance 2009

⁵⁰ In Action Plan all the beneficiaries and assets they need to secure in their budget, the amounts in the table are only the obligation of the Ministry of Youth and Sports

Project Title	Relevant Institution	Evaluated Value of the Project (in EUR)	Information on Sources of Funding		Planned Period of Project Implementation
			Own Funding	External Sources of Funding	
7. Support to the youth offices	MYS	1.070.658,08* annually	802.993,56* (53.532,90* approved for 2009)	321.197,42* (107.065,81* approved for 2009)	2009-2011
8. Fund for Young talents	MYS	16.059.871,20* annually	16.059.871,20* (4.988.664,41* approved for 2009)		2009
9. Drafting the Law on Youth	MYS	53.532,90* annually	42.826,32* in the budget for 2009	10.706,58* annually	2009-2010
10. Drafting of Strategy for Career guidance and counselling and Action Plan	MYS ⁵¹	21.413,16*	21.413,16* approved for 2009		2009
11. Establishing the Centre for career guidance and counselling of young talents	MYS	42.826,32*	21.413,16* approved for 2009	21.413,16*	2009-2010
12. Affirmation of youth policy	MYS	107.065,81* annually	85.652,65* (32.119,74* approved for 2009)	21.413,16*	2009-
13. International cooperation in the field of youth policy	MYS	107.065,81* annually	64.239,48* (43.896,980,00* Approved for 2009)	42.826,32*	2009-

* National bank of Serbia, on the day 21 September 2009 (Course list no.181)

Table 69. Priority reform Projects/Programmes of the Sector for Sport:

Title of the Project	Relevant Institution	Estimated Value of the Project (in EUR)	Information on Sources of Funding		Planned Period of Project Implementation
			Own Funding	External Sources of Funding	
1. Implementation of the National Strategy for Development of Sport	MYS Provincial Institute for Sports, local self-governments	10,000,000	1,000,000	9,000,000	2010-2011
2. Specialized Courses for Secretaries General of branch Associations and Programme Directors	MYS	400,000	300,000	100,000	2010-2001
3. Establishing of an unified information system (source records of sports, athletes, sports experts, coaches and athletic facilities)	MYS	500,000	300,000	200,000	2010-2011
4. Sports Events Violence Prevention Project	MYS	500,000	300,000	200,000	2010-2011
5. "Healthy Serbia" Project (a programme of recreational exercises)	MYS	200,000		200,000	2009-2011
6. Working visits to the countries in this region and abroad (liaising with other countries with the aim to establish bilateral or multilateral cooperation; experience and knowledge exchange)	MYS	300,000		300,000	2009-2011
7. Education for employees in the Republic Institute for Sports (planning and programmes for sports, testing of athletes)	MYS	300,000		300,000	2009-2011

⁵¹ Apart from the Ministry of Youth and Sports, Ministry of Education and the Ministry of Economy and Regional Development are also participating in the project development

Title of the Project	Relevant Institution	Estimated Value of the Project (in EUR)	Information on Sources of Funding		Planned Period of Project Implementation
			Own Funding	External Sources of Funding	
8. Standardization of criteria for production of sports equipment and machines for exercising	MYS	500,000		500,000	2009-2011
9. Support for sports related publishing and sports libraries	MYS	500,000		500,000	2009-2011
10. Educational Project in the area of sports medicine and doping in sports	MYS	1,000,000	600.000	400,000	2010-2011
11. Inclusion of children and the young with special needs (Special Olympics) in activities of branch sports associations	MYS	350,000		350,000	2009-2011
12. Summer and Winter Camps for children	MYS	200,000		200,000	2009-2011

Table 70. Priority Investments Projects

Project Title	Relevant Institution	Estimated Value of the Project (in EUR)	Information on Sources of Funding		Planned Period for Project Implementation
			Own Funds	External Sources of Funding	
1. Construction of a mini-pitch field for the young	MYS	1,500,000	500,000	1,000,000	2009-2011
2. Project that envisages construction of new and reconstruction, equipping and renovation of existing open air athletic facilities in 100 municipalities in Serbia	MYS	4,300,000	1,720,000	2,580,000	2010-2011
3. Project of construction of custom made and ready to build athletic halls (10)	MYS	6,500,000	2,600,000	3,900,000	2010-2011
4. Project of construction of custom made concrete sports halls (10)	MYS	1,000,000	400,000	600,000	2010-2011
5. Project to construct and build open air swimming pools (5)	MYS	5,000,000	500,000	4,500,000	2010-2011
6. Project to adapt athletic facilities to meet the needs of the invalids (elevators, access gates, platforms etc.)	MYS	500,000	200,000	300,000	2010-2011
7. Professional training and education courses for the existing sports experts and coaches, use of the database of information on athletic facilities in Serbia, implementation of positive experiences of other countries by means of study visits	MYS	200,000	5,000	195,000	2010-2011
8. Construction of the Sport Centre "Football House" in Stara Pazova	MYS	6.000.000	3.000.000	3.000.000	2009-2010

3.21. Diaspora

The area of development and improvement of relationships between Serbs that live abroad and their country of origin is being mentioned in the following Strategy documents: Strategy for Re-Integration of Repatriates on the basis of the Re-Admission Agreement; Strategy for Development of Sports in the Republic of Serbia for 2009 - 2013; Strategy for Regulatory Reform in the Republic of Serbia for 2008 -

2011 (and its Action Plan document); National Youth Strategy; Communication Strategy of the Government of the Republic of Serbia on the Stabilization and Association Process of the State Union of Serbia and Montenegro to the European Union; National Strategy of Serbia for EU Accession of Serbia and Montenegro; Strategy for Stimulus and Development of Foreign Investments; Development Strategy for Information Society in the Republic of Serbia; NIP; Poverty Reduction Strategy; National Strategy of Economic Development, and in some other strategy documents.

This year, comments on Diaspora were made for the first time in the Multi Annual Indicative Plan Document for 2009-2011.

On the Government Session of February 26, 2009, a conclusion was reached (05 No. 021-707/09-1) to adopt a Strategy document for strengthening of relations with Diaspora, (Article 45, paragraph 1. of the Law on Government, in the "Official Gazette of the Republic of Serbia" No. 55/05, 71/05-amendments 101/07 and 65/08)), with the aim to intensify relationships of the Republic of Serbia with Serbian Diaspora, that is, with Serbian citizens that live abroad and with people with origins in the Republic of Serbia. This Strategy is a priority, based on the Declaration on Proclamation of Relations between the motherland and Diaspora to be a priority state and national interest ("Official Gazette of the Republic of Serbia PC", No. 86/06). Deadline for drafting of this Strategy is set for October 2009.

Chapter 8.2. of the Memorandum on Budget and Economic and Fiscal Policy for 2008, with projections for 2009 and 2010, under the title "Structural Reforms for 2009-2011", is entitled "Diaspora".

There are well-known examples of countries that relied on engaging of economic and experts' strengths of their Diaspora to significantly speed up their economic growth, which in turn led to employment of a large number of people. By further improvements of the positive image of our country and by attracting the capital of our economic Diaspora, a significant number of new jobs will be generated.

National and professional network of experts in our Diaspora, coupled with the plan to set up a web portal, would be a potential partner for discussions with decisive factors in international communications. A large number of international governmental organizations with substantial regulatory powers and even more significant number of international non-governmental organizations are among them, and they exert influence over the international communications on the basis of voluntarily accepted cooperation between actors that are positioned below the state level. This is especially important for improvement of cooperation with the EU, since inertia to adjust the perspective on Serbia that survives from the 1990s is still present in some of these countries.

Improvements in respect of Serbian reputation would significantly facilitate reaching of some decisions in the EU countries that pertain to Serbian accession process, and coordinated activity of all the institutions and individuals that are to Serbia is necessary to achieve this.

Ministry of Diaspora of the Republic of Serbia, as one of the youngest Ministries in the Government of the Republic of Serbia, was established on February 26, 2004, according to the Law on Ministries ("Official Gazette of the Republic of Serbia", No. 19/04).

Remit of the Ministry for Diaspora was chartered by the Article 25 of the Law on Ministries ("Official Gazette of the Republic of Serbia", No. 65/08), which prescribes that the Ministry for Diaspora should perform tasks of state administration that pertain to the following: position of the citizens of the Republic of Serbia that live outside of the Republic of Serbia; improvement of conditions for exercising the right to vote for the citizens of the Republic of Serbia that live abroad; enhancing of liaisons between the expatriates – citizens of the Republic of Serbia that live abroad – and their organizations, with the Republic of Serbia; providing information to migrants, who are citizens of the Republic of Serbia abroad, about the politics in the Republic of Serbia; creating conditions to include emigrants, persons of Serbian origins and citizens of the Republic of Serbia that live abroad in political, economic and cultural life of the Republic of Serbia and also for their return to the Republic of Serbia, as well as other activities that were prescribed by law. In the process of performing their tasks, the Ministry cooperates directly with other relevant Ministries, bodies and organizations, and with other state bodies in relation to all matters of their joint interest, whenever necessary. This cooperation consists of delivery of information and notices that are indispensable for their work, of establishing joint experts' bodies and project groups in order to perform tasks that call for participation of several bodies of state administration, and of other forms of cooperation and joint efforts.

There are three Sectors that operate within the Ministry for Diaspora:

- Sector for status related issues of the members of Diaspora, that is tasked with monitoring and analysing of status related issues of the Diaspora members and that works to improve the position of Diaspora;
- Sector for economic issues, with the primary task to increase the volume and intensity of economic cooperation with the Diaspora;

- Sector for cooperation in the areas of culture and education, science and sports, which is tasked with preservation of the Serbian language, realization of academic cooperation, work on promotion of cultural production in the Diaspora, and with realization of other aspects of cooperation.

In accordance with the Article 13 of the Republic of Serbia Constitution, under the Chapter entitled "Protection of Citizens of the Republic of Serbia and Serbs outside the State Borders": "The Republic of Serbia protects the rights and interests of its citizens abroad. The Republic of Serbia works to develop and improve the relations between the Serbs that live abroad with their homeland" ("Official Gazette of the Republic of Serbia", No. 98/06) and in accordance with the Article 25 of the Law on Ministries ("Official Gazette of the Republic of Serbia" No. 65/08), Ministry for Diaspora, as the actor that is authorized to send in the draft versions of legal acts for adoption, produced the draft version of Law on Diaspora. In drafting of this Law, special attention was paid to the adopted Conclusions from the International Conference on Serbian Diaspora and Development of the Homeland, which underline the necessity to organize public discussion, with maximum transparency and space for all members of diaspora to take an active part in creation of this Law.

Law on Diaspora is the first act in the legal framework that charters the status of all the members of diaspora that live abroad, of the citizens of the Republic of Serbia and of the members of Serbian people that live abroad and are not citizens of the Republic of Serbia, regardless of whether they are citizens of some other state or ex-patriates, as long as they consider the Republic of Serbia to be their country of origin, in a comprehensive and democratic manner that is universally acceptable. The Law was discussed in public, and the process showed that the members of diaspora were very interested in this legal act, because they sent in a large number of constructive and concrete suggestions, proposals and ideas. The Draft Law is presently in the stage of adoption procedure when expert opinions from the relevant Ministries in relation to this Law are collected.

By introducing a basic Law in the legal framework of the Republic of Serbia that regulate the principal relationship points and principles between the homeland and diaspora members, a contribution has made to strengthening and development of their national identity, and also to maintaining and strengthening of their liaisons with the motherland. This Law charters the field that belongs to the domain of the most important state and national interests for Serbia, and as such presents an important aspect of its foreign policy.

Relations between the diaspora and the homeland were declared to be the relations of the utmost state and national interest by the Decree on Relations Between Diaspora and Homeland as Relations of the Highest State and National Interest ("Official Gazette of the Republic of Serbia" No. 86/06).

For 2009, the Law on Diaspora envisaged drafting of Strategy of Development of Relations between the Homeland and Diaspora (Article 45, paragraph 1 of the Law on Government, published in the "Official Gazette of the Republic of Serbia" No. 55/05, No. 71/05 – amendment, 101/07 and 65/08).

Table 71. Current status of the most important Projects/Programmes in the Diaspora Sector for 2007 – 2009

Title of the Programme/Project	Value	Source of Funding	Realization Period
1. "Position and Perspectives for Serbian Communities in the Neighbouring Countries" Conference	RSD 1,338,014	Republic of Serbia Budget	2008
2. The unified database with data on associations and organizations in Diaspora		Republic of Serbia Budget	2008
3. Information booklet for Diaspora members	RSD 1,384,372	Republic of Serbia Budget	2008
4. Centres for Diaspora members in regional Chambers of Commerce of Serbia, Partnership in economic cooperation with the Diaspora members	RSD 1,704,000	Republic of Serbia Budget	2007
5. "Return of Experts from Diaspora" Project in cooperation with Infostud		Republic of Serbia Budget	2008
6. Brochure "Why Invest in Serbia" in its electronic form, PPT presentation		Republic of Serbia Budget	
7. "International Conference on Serbian Diaspora and Development of Their Mother Land" in cooperation with UNDP	RSD 260,180 USD 68,000	Republic of Serbia Budget, UNDP	2008
8. "Serbia – Land of Future" Project, NIP	RSD 89,100,000	Republic of Serbia Budget	2009
9. Serbian Language Learning in Diaspora	RSD 300,000	Republic of Serbia Budget	2008
10. Cooperation in the area of athletic activities – children from Diaspora	RSD 400,000	Republic of Serbia Budget	2008

Title of the Programme/Project	Value	Source of Funding	Realization Period
11. "100 Most Successful Serbs in Diaspora" Project	RSD 1,000,000	Republic of Serbia Budget	2009
12. Enhancing preconditions for resolving status related issues of Diaspora members by means of improving the information levels with a brochure about Law on Denationalization, after the Law is adopted	RSD 200,000	Republic of Serbia Budget	2009
13. Enhancing preconditions for resolving status related issues of diaspora members by means of improving information levels through production, publication and distribution of Information Brochure for Diaspora	RSD 2,000,000	Republic of Serbia Budget	2008
14. "Serbia is in Europe" Project – training for diaspora members in European countries to strengthen the capacities of clubs, associations and organizations to design, prepare and implement joint projects and programmes.	RSD 1,000,000	Republic of Serbia Budget	2009
15. Improvement of cooperation with Serbian associations in neighbouring countries	RSD 600,000	Republic of Serbia Budget	2009
16. "Media in Diaspora" Conference	RSD 1,500,000	Republic of Serbia Budget	2009
17. the "Economic Partnership with Diaspora" Project on regional and local levels and support to activities of Centres for Diaspora within Regional Chambers of Commerce	RSD 2,000,000	Republic of Serbia Budget	2009
18. The "Liaison and Return of Our Experts" Project on attracting Serbian experts that live abroad and organization of meetings and lectures abroad and in the country with economic experts of Serbian origins	RSD 700,000	Republic of Serbia Budget	2009
19. Conference for Young Leaders from Diaspora	RSD 800,000	Republic of Serbia Budget	2009
20. Acquisition and distribution of textbooks and teaching materials for Serbian language learning, restocking of library funds in school libraries in diaspora	RSD 3,000,000	Republic of Serbia Budget	2009
21. The "Support to Organization of Summer Courses, Camps, Workshops for Children and Seminars for Teachers of Serbian Language from Diaspora" Project	RSD 6,000,000	Republic of Serbia Budget	2009

MEMORANDUM ON BUDGET AND ECONOMIC AND FISCAL POLICIES FOR 2009, WITH PROJECTIONS FOR 2010 AND 2011

IV Structural reforms for the period from 2009 till 2011

8. *Other Reforms*

9.2. *Diaspora*

The policy of cooperation with the diaspora members will be directed at strengthening of liaisons of all kinds between the diaspora and the homeland, at preservation of the national and cultural identity of Serbian diaspora, at upgrading of economic, scientific, cultural and other liaisons between diaspora and homeland, as well as at encouraging and focusing of experts' and financial potentials diaspora on their inclusion and participation into the economic development of the country.

The initiative for a complete legal regulation of protection of rights of Serbs in diaspora in certain areas, such as the pension and disability insurance, will be tackled. This initiative will be put into action by, among other things, concluding bilateral agreements with countries with which such agreements have not been concluded, in which large Serbian communities reside.

Special attention will be paid to drafting of Law on Diaspora Members Records, as well as to adoption and realization of programmes aimed at enhancing of economic cooperation with diaspora, programmes aimed at improving the position of diaspora members, programmes aimed at promotion of

Serbian culture among diaspora members and also to programmes for Serbian language learning for diaspora members.

The Ministry has planned to produce a Strategy for Development of Relations between the Homeland and Diaspora document.

Activities to include economic potentials of diaspora in development of homeland, primarily by means of investments, are especially important. Special attention will be paid to finding ways to make investments into municipalities through improvements of overall business and investment environment in cooperation with local communities that have a substantial number of migrant group members abroad.

Special care will be given in the following period to the production of a new, dynamic web portal, which will enable upgrading of information system of the Ministry for Diaspora, in order to provide more and better quality information for diaspora members and in order to liaise the diaspora with the homeland. This portal would present different contents of interest for the diaspora representatives, through monitoring of new trends in communications, such as electronic databases, questionnaires, virtual Ministries (e-government), electronic library of scientific studies and popular literary works of prominent writers from diaspora, e-education aimed at preservation of Serbian language and letters, forums, blogs and many other contents.

After signing an agreement on cooperation with the Chamber of Commerce of the Republic of Serbia (regional Chambers of Commerce), Ministry for Diaspora established 16 centres for diaspora in Uzice, Zajecar, Sremska Mitrovica, Kragujevac, Subotica, Pozarevac, Novi Sad, Zrenjanin, Sombor, Pancevo, Nis, Knjazevac, Kraljevo, Valjevo and Kikinda. A database of investment programmes and projects on the local level was made. On February 27, 2008, the Ministry presented their Project "Economic Partnership with Diaspora on Regional and Local Levels". On that occasion, they said that the Ministry for Economy and Regional Development assessed that diaspora members acted as intermediaries in three quarters of the green field investment that were realized in Serbia.

Setting up and development of Offices for Diaspora in local self-government units from which more than 10 per cents of population migrated abroad will be continued. These Offices will offer information on legal regulations that pertain to the status and rights of citizens that live abroad, and also about potential for implementation of economic activities on the territory of the local self-government unit in question.

Medium-term objectives of the Ministry for Diaspora are as follows:

By the end of 2011, strategic and legal framework in Serbia should be created for improvement of position of diaspora members.

1. Close cooperation with relevant Ministries should be established (Ministry of Culture, Ministry of Education, Ministry of Youth and Sports) with the aim to improve the conditions for Serbian language learning and for creating a unified cultural environment for diaspora members and their homeland.
2. Increased number of forms and increased intensity of economic cooperation with diaspora.
3. Closer partnership cooperation with diaspora members established by means of joint realization of different projects.
4. Continuous and better quality communication established with media organizations and diaspora.

Traditionally, the Republic of Serbia is a country with a large number of emigrants, and these migrations have mostly been caused by economic reasons, which are immediately followed by historic, demographic, political, social, ethnic and psychological factors. Serbian diaspora has been created through six large migration waves: the first started in 1890s and lasted until the World War I, when majority of people migrated to America; the second one, between the World War I and World War II, including the return of the migrants from overseas counties to Serbia; the third wave (World War II) – war related and post-war political emigration, with predominant migrations to countries on other continents; the fourth wave, from mid sixties till the end of 1980s – Serbs emigrated from their motherland mostly as guest workers and went to the developed European countries of Germany, Austria, France, Belgium, Switzerland, Sweden; the fifth wave, during 1990s, and the sixth wave that started in 2000.

Republic of Serbia, a country with almost 7.5 millions of people (not counting the population of Kosovo and Metohija), witnessed a drain of more than 400 thousands of predominantly young people who went abroad over the last two decades; some 10 per cents of them were highly qualified professionals. Emigration rate of people with university education amounted to 17.4%. Economic difficulties during the transition period resulted in brain drain of highly qualified professionals, intelligentsia, researchers, etc., which additionally slowed down progress and caused further migrations. Thus, as we made clear here, migration of experts can result in a progression of negative effects for economy of the Republic of Serbia.

There is no precise data on the number of Serbs that belong to emigration communities. Attempts to identify this number that were carried out by the Ministry of Foreign Affairs of Serbia have shown that the number amounts to 3.5 millions of people. This number includes all the types of Serbian communities

that live out of Serbia, with their different statuses, and the Serbs that live as ethnic minorities in neighbouring countries, and also those that are members of a constitutionally recognized nation in Bosnia and Herzegovina (approximately 1.5 millions). As for their status, there are three groups of Serbs throughout the world: citizens of the Republic of Serbia, Serbs that hold citizenship of the migration destination country, and Serbs that are members of ethnic minority groups that live in neighbouring countries – Croatia, Romania, Hungary and Macedonia. Status of Serbs in Montenegro has not yet been officially regulated. According to the World Bank data, the number of emigrants amounts to 2,298,352.

Among the top ten countries with the highest concentration of Serbian diaspora members are: Germany (with approximately 600 thousands of Serbs), USA (750 thousands), Canada (250 thousands), Australia (196 thousands), Austria (177,320), Switzerland (194,977), France (150 thousands), Sweden (100 thousands), Great Britain (100 thousands) and Italy (95 thousands).

Brain drain from Serbia has been evident during the last two decades of the twentieth century. Qualified professionals leave the country for different reasons, including high earnings in the destination countries, better conditions for work and better potential for promotion in professional career. Since 1992, at the time of disintegration of SFRY, until 2007, USA issued 62,745 immigration visas, Canada issued (in 1992-2006) 35,153 immigration visas, and Australia issued some 29 thousands of immigration visas to the citizens of Serbia and Montenegro. There were more than 10 per cents of people with university degrees among the immigrants. And besides that, many people from Serbia and Montenegro hold non-immigration visas (temporary work and stay).

For example, in the fiscal year of 2002-2003 USA admitted 454 persons from Serbia and Montenegro for temporary work and stay in USA with special professional skills (H-1B visa). During the same fiscal year there were 26 people among them in the category of immigrants with exceptional capacities and achievements (USA, Immigrants' Yearbook, for 2003). Besides that, during the same period, USA issued 790 visas on the basis of exchange and 1,535 visas for students that study in that country. Students' immigration was a precursor of the brain drain. In USA, assets of the well-to-do business people has been estimated to amount to half a billion dollars.

According to the data issued by the World Bank, incoming foreign currency money transfers to Serbia during the past years continued to grow, amounting to 4.9 billions of USD in 2007, and this amount was larger than direct foreign investments (USD 2.004.297).

Transfer of foreign currency payments from foreign countries to Serbia is one of the key pillars of macroeconomic stability of Serbia. In 2007, 4.9 billions of USD in foreign currency money transfers to Serbia made up more than a half of the total value of Serbian export during the same year (USD 8.8 billions). In 2006, two institutions carried out analyses of all types, levels and frequencies of such money transfers. Experts of the World Bank focused their analysis on the transfer of foreign currency money transfers from Germany to Serbia, while the European Bank for Reconstruction and Development and the Government of Switzerland examined the transfer of foreign currency money transfers that came from Switzerland. Key finding of both the studies is as follows:

Serbian diaspora is among the most numerous ones in each of the above mentioned countries. In 2007, Serbia was ranked 11th according to the volume of its foreign currency money transfers (USD 4.9 billions). Compared to the gross domestic product, in 2006 the foreign currency money transfers amounted to 13.8%. The biggest portion of foreign currency money transfers, almost 80%, was transferred through the informal channels, and only a smaller portion, predominantly the transfer of pensions, was channelled through the formal channels, through banks. Foreign currency money transfers are predominantly being spent to cover basic expenses in order to achieve the standard of living of the receiver above the poverty line, and they do not constitute a substantial portion of the total amount of savings, or investments for the development of country. There is no strategy of planning in relation to the use of foreign currency money transfers or such funds that are included in investment projects.

Migrations, as a global and transnational phenomenon, also have a strong local aspect and are reflected in localized connections that diaspora members maintain with their regions of origins in the homeland and in also in the nature of local development (creation of new jobs, establishing of companies, building of local infrastructure and facilities). As for maximizing of influence that the foreign currency money transfers exert upon development in Serbia, experts from the World Bank suggested that the Government of the Republic of Serbia, should consider setting up of homeland associations as one of their options.

Two day International Conference on Serbian Diaspora and Development of Their Country of Origin was organized in Belgrade by the Ministry for Diaspora in cooperation with the UNDP, with 12 experts on diaspora and migrations from 9 different countries, representatives of the most important organizations of Serbian diaspora and the representatives of different Ministries of Serbian Government, Serbian Orthodox Church, Serbian Academy of Sciences and Arts and other organizations that took part in the Conference. Recommendations were adopted in the Conference on how to improve and upgrade the relationships between the homeland and diaspora. Standpoints and experiences of the representatives of Ministry for Diaspora that were presented in this meeting gained considerable support

from their colleagues and experts from abroad, which have diasporas that are stronger in numbers and with situation in this area that is substantially better regulated. Many of our suggestions were adopted as good and universal examples for other states and their upgrading of relationships with their own diasporas. Good experiences with establishing and operations of the Ministry for Diaspora in Serbia were used and especially noted as an example by the Government of Slovenia, which established for the first time its own Ministry for Slovenians that live out of Slovenia.

The Ministry paid special attention to the status of Serbs in the countries that originated from the dissolution of former SFRY. A two days conference "Position and Perspectives of Serbian Communities in the Neighbouring Countries" was organized in Belgrade, with representatives of ten Serbian associations from the neighbouring countries, other Ministries of the Government of Republic of Serbia, Serbian Academy of Sciences and Arts, Serbian Orthodox Church and Matica Srpska, and publishing of the book "Study of the Position of Serbian People in Neighbouring Countries" is underway. Participants of the Conference "Position and Perspectives of Serbian Communities in Neighbouring Countries", which took place on November 11, 2008 in Belgrade, adopted a *D e c l a r a t i o n* on Cooperation and Improvement of Relations between the Republic of Serbia with the members of Serbian communities in neighbouring countries, which defined existing problems and proposed activities aimed at improvements of position and status of the members of Serbian people in the countries of this region.

One of the priorities of work for the Ministry is a systematic approach to the problem of Serbian language learning, and despite the fact that the Ministry for Diaspora has no direct administrative responsibilities in this area. For a large number of schools that members of Serbian diaspora attend textbooks and teaching materials for Serbian language classes with more than 5,000 of books and textbooks were acquired and distributed on two separate occasions. After the suggestion of the Ministry for Diaspora, an inter-ministerial working group was gathered to draft new documents and rulebooks for upgrading of supplementary courses for diaspora members.

In November 2009, with the aim to enhance media cooperation and solutions to problems of communication channels with diaspora, the Project "Unified Database of Associations and Organizations in Diaspora" was initiated. This was the first official database that contains all the relevant information on associations, organizations, and churches in diaspora: name, address, e-mail, telephone number, web address. This is a lasting Project that the employees of the Ministry will regularly maintain in future and supplement the database by adding new and by updating existing contacts. Today the Ministry communicates regularly with more than 1,100 existing Serbian associations, organizations and churches in diaspora by mail and by e-mail. We are in a daily contact with the representatives of diaspora and we resolve their problems and their status related questions that are still open, such as the question of getting of Serbian citizenship, supplementary school courses in Serbian, social insurance, military service and other questions.

Table 72. Priority investment Projects in the area of sector capacity building for 2009-2011

Project Title	Relevant Institution	Estimated Value of Project (in EUR)	Information on Sources of Funding		Planned Time of Project Inception	Current Status of Documentation
			Own Funds	External Sources of Funding		
1. Upgrading of technical capacities of the Ministry, IT technologies, with the aim to produce a dynamic web portal for improved informing of diaspora and for its liaising with the homeland	Ministry for Diaspora of the Republic of Serbia	1,000,000		External Sources of Funding		
2. Strengthening of capacities of employees in the Ministry, training courses, study visits, development of the sector	Ministry for Diaspora of the Republic of Serbia	500,000		External Sources of Funding		

Table 73. Priority reform Projects in the area of strategic development framework of the sector for 2009-2011

Project Title	Relevant Institution	Estimated Value of	Information on Sources of Funding	Planned Time of Project	Current Status of Documentation
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		Project (in EUR)	Own Funds	External Sources of Funding	Inception	
1. Project to produce Strategy for Development of Relations between the Homeland and Diaspora	Ministry for Diaspora of the Republic of Serbia	400,000		External Sources of Funding		

3.22. National Investment Plan – NIP

A. An Overview of the Sector

Strategic Development Framework

Bearing in mind that the Ministry for National Investment Plan (hereinafter: NIP) was established only a few months ago, the official and final version of the relevant strategy for this Ministry does not exist. There are, of course, legal regulations and general acts that MNIP implement in their work, and that contain objectives, expected results and activities of strategic nature. Such acts, as well as the practice of the former Office for NIP, together with the practice of MNIP, that is, the quality and type of needs both on the national and on the regional and local levels, shall determine the concept of a future strategy in this highly important sector: sector that deals with the management of project cycles of all the projects that were submitted to MNIP by authorized persons, and that are included in the financial and implementation framework of NIP, and also the sector that deals with activities aimed at attracting investments, the purpose and expected results of which lie in the fact that NIP is the biggest development-related state programme.

Institutional Framework

Institutional framework can be seen as one covering two directions: one that pertains to the Ministry for National Investment Plan, and the other that pertains to bodies and organizations, that is, institutions that are relevant in the sense of this sub-paragraph. Thus, Ministry for National Investment Plan was established by the Law on Ministries ("Official Gazette of the Republic of Serbia" No. 65/08) that went into force on July 5, 2008. However, the list of relevant bodies and organizations, that is, of institutions, is very long. It encompasses almost all Ministries and other state bodies, and also the bodies of local self-government units, and public services, including public utility companies and public institutions. Since that the National Investment Plan is implemented as a comprehensive development state programme with a large number of participants, starting with persons authorized to send, that is, to submit project proposals, partners in the implementation process, all the way to the organizations that directly implement the programme, the number of partners that is defined in such a broad way is very big (in this year only, there are several hundreds of Projects that are currently in the implementation phase, and somewhat less than 400 of Projects are being defined as new projects in this year).

Legal Framework

The afore mentioned Law on Ministries, as an institutional legal regulation of utmost importance, a regulation that is both formally and legally, as well as substantially (in essence) determining for the work of MNIP, as the law that regulates the work, name and scope of work of the Ministries and of special organizations in the system of state administration bodies. Laws, that is, the by-laws, the application of which is also of vital importance for the work of this Ministry, are as follows:

- Law on Republic of Serbia Budget for 2009 ("Official Gazette of the Republic of Serbia", No. 120/08);
- Planning and Construction Law ("Official Gazette of the Republic of Serbia", No. 47/03 and 34/06);
- Rules on Contents, Scope and Manner of Production of the Previous Feasibility Study and on the Feasibility Study on Construction of Facilities ("Official Gazette of the Republic of Serbia", No. 80/05);
- Public Procurement Law ("Official Gazette of the Republic of Serbia", No. 116/08);

Current Status of the Most Important Projects/Projects

Besides the ongoing Projects, there is a large number of Projects that were realized or that are currently in different stages of implementation, the implementation of which started either in this, or in previous years of NIP Programme implementation:

- Construction and repairs of principal national and regional roads RSD 6,722,720,859 (RSD 4,917,869,385 was spent in 2006 and in 2007, and RSD 1,804,851,474 was spent in 2008);
- Corridor 10 - RSD 6,346,911,117 (RSD 2,522,835,135 was spent in 2006 and in 2007, and RSD 3,824,075,982 was spent in 2008);
- Construction and repairs of local roads RSD 5,545,826,290 (in 2006 and in 2007 RSD 4,936,526,928 was spent, in 2008 RSD 609,299,362 was spent);
- Renovation works on local health care centres – RSD 4,787,656,063 (RSD 4,655,472,515 was spent in 2006 and 2007, and RSD 132,183,548 was spent in 2008);
- Support to development of local utility infrastructure RSD 3,383,935,599 (RSD 2,059,707,420 was spent in 2006 and 2007, and RSD 1,324,228,179 was spent in 2008);
- Gasification - RSD 2,976,357,586 (the total of RSD 2,325,529,192 was spent in 2006 and 2007, and RSD 583,828,394 was spent in 2008);
- Investments in capital equipment for scientific researches - RSD 1,719,908,748 (RSD 1,313,773,670 was spent in 2006 and 2007, and RSD 406,135,078 was spent in 2008);
- Investments in urgent water management Projects – RSD 1,405,988,466 (RSD 1,343,132,325 was spent in 2006 and 2007, RSD 62,866,140 was spent in 2008);
- In 2009, more than one third of the NIP funds will be allocated for three large national Projects, while the rest of the funds will be spent on Projects of regional and local levels, and on other smaller Projects on the national level:

PROJECT TITLE	AMOUNT (in RSD)
CORRIDOR 10	5,000,000,000
Investments in 40 least developed municipalities	1,262,889,000
Infrastructural support to development of automobile industry	1,150,000,000
TOTAL FOR 3 MAJOR NATIONAL LEVEL PROJECTS	7,412,889,000
OTHER NIP PROJECTS	13,087,111,000
NIP 2009 - TOTAL	20,500,000,000

- In 2009, projects that are co-financed from the funds of the European Investment Bank will also be implemented (EIB – approximately 20 millions of Euros will be drawn from the total of the allocated EIB budget line that amounts to EUR 50 millions, while the remaining amount of EUR 30 millions will be spent on investments during the budget years of 2010 and 2011, which was presented in the part that determines the programme of priority activities for achievement of medium term objectives);
- In the last quarter of 2009, the beginning of implementation of Local Infrastructure Development Project is expected to take place. The Project is co-financed from the IPA funds (the total value of the Project is 45 millions of Euros, out of which EUR 35 millions come from the IPA donation, while the remaining EUR 10 millions is provided from the Budget of the Republic of Serbia, from the NIP funds. Sub-projects that will be financed through this Project have not been selected yet, because there is no exact time schedule for all the necessary steps in preparation and realization of the sub-projects, such as for example, the procedure to produce the feasibility studies, or the public procurement procedure that will be organized and monitored by the EC Delegation in Belgrade);
- In 2009, realization of the Programme of German Development Bank, KfW Phase 2, will be continued, to further develop and improve the infrastructure in the area of water supply and waste water management in eight medium size municipalities (loan amounts were defined in the Programme, together with the assistance provided by donations for investments and for TA).

B. Strategic Developmental Framework

Medium-Term European Partnership Priorities

Council of Europe supported the introduction of European Partnerships as a means for achieving European perspective in the states of the so-called Western Balkans. The proposal for a revised

Partnership is actually an updated version of the second in line of the European Partnerships, and it is based on the findings of the European Commission that were presented in their annual reports for the Republic of Serbia (and for the AP of Kosovo and Metohija, in accordance with the UN Security Council Resolution 1244). New and remaining old priorities are identified in this document. New priorities have been adjusted to the specific needs and to the relevant phase of preparations.

A distinction has been made between the short term priorities that should be realized with a period of one to two years and the medium term priorities that should be realized within a period of three to four years. According to this distinction, the medium term priorities, for different areas / sectors, are as follows:

- In the area of small and medium size companies and industrial policy: to continue with implementation of the European Charter on small and medium size companies;
- In the area of environment: to implement a multi annual plan of environmental protection policy financing, including the investment plan for this area, to continue with the construction of facilities for processing and safe disposal of dangerous waste;
- In the area of transportation policy: to continue with implementation of the Memorandum on Understanding on development of the main regional transportation network in South East Europe and to strengthen the cooperation with Traffic Observatory for South East Europe; to continue strengthening of administration capacities, including the preparation project for big investments and maintenance of infrastructure;
- In the area of agriculture: to continue efforts aimed at strengthening of administration structures and capacities necessary for formulating and implementation of agricultural and rural development policies; to enhance waste management and to reduce pollution in the area of agriculture.

Poverty Reduction Strategy (PRS)

Poverty Reduction Strategy, as a national strategic document containing an analysis of causes, characteristics and profiles of poverty in Serbia, as well as the main strategic guidelines for social development and reduction of number of poor people in the following period, is of special importance for MNIP. NIP has identified 17 key sectors, most of which (except for the issues that are related to the Army, internal affairs, culture, religious facilities and sports) are in fact areas that were identified in the Poverty Reduction Strategy. In realization of these strategic guidelines, the relevant Ministries relied, during the previous period, on the funds provided by NIP framework, and this practice will be continued during the realization process of the Strategy, and especially so through the medium term priorities that were defined by this document.

Memorandum on Budget and Economic and Fiscal Policy for 2009

The principal aims of the relevant policy from the fourth part of the Budget Memorandum, seen through the prism of structural reforms, are as follows:

- Reforms in the area of social activities (education, science, culture and media, youth and sports, health care);
- Reforms in the area of social welfare (social welfare, equality of sexes, social dialogue);
- Reforms of administration (public administration, Police, judiciary);
- Reforms in the area of economic activities (mining, energy consumption, agriculture and rural development, forestry, water management, traffic, communications and information society, commerce and services, tourism, regional development, environmental protection);
- Reforms in other areas (religion, diaspora, civil society organizations).

Serbian Strategy for EU Accession of the State Union of Serbia and Montenegro

Serbian Strategy for EU accession has been based, among other things, on the following objectives:

- Infrastructure development in line with EU standards (transport and other infrastructures, possibilities for rapid construction of business and production facilities);
- Serbia should achieve as soon as possible the investments levels in research and development that the majority of European countries in transition in 2000 had, which have in the meantime become the EU candidate countries;
- The objective of activities and measures in the area of environmental protection is to create conditions for adjustments of structures and dynamics of economic and other activities, that is, of the processes, to the environment, so that the process of satisfying the needs of the present day generations does not jeopardize the rights to a healthy environment of the future generations on the same and even higher levels;

- Assistance to regions that are lagging behind in development, above all through improvements in the area of basic infrastructure (transportation, water supply, telecommunications, health care and education).

Relevant Strategies and Action Plan Documents for Their Realization

Investments in repair works and construction of principal, regional and local roads, as well as in the Corridor 10 is done in accordance with Strategy for Development of Railway, Road, Water, Air and Intermodal Transport in the Republic of Serbia from 2008 till 2015, and in accordance with the action plan documents for its implementation. Investments in renovation of local health care centres are made in accordance with the Strategy for continuous improvement of health care protection and safety of patients. Investments in construction and repair works of local roads, as well as the support for development of local utility infrastructure, are in line with the Strategy for Regional Development in Serbia from 2007 - 2012, and also with the Poverty Reduction Strategy. Investments in gasification are made in accordance with the Strategy for Development of Energy Sector in the Republic of Serbia by 2015, and with the Programme of Realization of Strategy for Development of Energy Sector in the Republic of Serbia by 2015, for the period from 2007 till 2012.

C. Medium Term Objectives (Priority Objectives)

As it was stated in the sub-chapter entitled "Strategic Framework" of the Section A., "An Overview of the Current Situation in this Sector" (existing legal regulations and general acts of strategic character), and in relation to the Section B., "Strategic Developmental Framework" (and especially bearing in mind the relevant strategy documents), the medium term priority objectives can be seen through development and upgrading of several basic sectors / areas: development of economic, social and utility infrastructure; improvement of standard of living for citizens; improvement of public administration; human resources' capacity building.

D. Priority Activities' Programme for Realization of Medium Term Objectives

In 2009, MNIP will commence with the realization of projects from the framework of NIP (funds allocated through the budget funds of MNIP and of other relevant Ministries that have submitted their project proposals, hereinafter: the MNIP Programme), as well as with the realization of projects that will be co-financed from the funds of the European Investment Bank (hereinafter: the EIB Programme), that is from the IPA funds (hereinafter: the IPA Programme). Apart from the Programmes that were defined in the aforementioned manner (according to the sources of funding), the remaining part of this document contains an overview of programmes according to their respective types (investment programmes, that is, the programmes of reforms), as well as Tables that show projects that will be, starting from the nature and demands of the project cycle phases, be financed and implemented in the period of 2009 - 2011, that is, in the period of 2010 - 2012. All the projects (that are listed in detail, except for those that are still in the selection process, or those that are yet to get into the selection process, and in cases where project areas/sectors have been stated), which are presented in following Tables, are priority projects and are the result of strategic and operational planning from the aspect of the existing documents of strategic character, that is, of the existing strategies that are being implemented by other Ministries in all the cases where these Ministries act as authorized applicants for their project proposals).

Table 74. Priority investment Projects from the NIP Programme framework in the areas of economic, utility, social and other infrastructure for period 2009-2011.⁵²

Project Title	Relevant Institution	Estimated Project Value (in EUR)	Information on Sources of Funding		Planned Period or Project Implementation	Current Status of Documentation
			Own Funds	External Sources of Funding		
1. Development of infrastructure	Relevant line ministries	13,097,978.151			2009-2011	Exists, that is, it will be produced by the end of 2010 at the

⁵² Due to the large number of Projects that were planned to start in this year, the Table 74 does not contain titles of Projects, but areas / sectors in which the implementation process of the NIP Programme framework will begin.

						latest
2. Improvement of citizens' standard of living	Relevant line ministries	3,050,781.052			2009-2011	Exists, that is, it will be produced by the end of 2010 at the latest
3. Upgrading of public administration	Relevant line ministries	2,257,106.302			2009-2011	Exists, that is, it will be produced by the end of 2010 at the latest
4. Other	Relevant line ministries	952,654.209			2009-2011	2009-2010

Table 75. Priority reform Projects from the NIP Programme framework for 2009-2011.

Project Title	Relevant Institution	Estimated Project Value (in EUR)	Information on Sources of Funding		Planned Period of Project Implementation	Current Status of Documentation
			Own Funds	Externals Sources of Funding		
1. Human resources capacity building	Relevant line ministries	1,141,480.286			2009-2011	2009-2011

Table 76. Priority investment Projects from the EIB-1 framework (the process of defining the list of Projects is not over yet, so that the Table contains an assessment for Projects in the areas of traffic, healthcare and social infrastructure, in which the Projects are to be implemented during the period of 2009-2011). (It is the first EIB line on the basis of the Financial Agreement that was signed for the amount of 50 million Euros, "Loan for Municipal and Regional Infrastructure")⁵³

Project Title	Relevant Institution	Estimated Project Value (in EUR)	Information on Sources of Funding		Planned Period of Project Implementation	Current Status of Documentation
			Own Funds	External Sources of Funding		
1. Development and upgrading of travelling infrastructure	MNIP	30 millions	Up to 50%	Up to 50%	2009-2012	Documentation exists
2. Construction / reconstruction of health care, athletic and cultural facilities	MNIP	10 millions	Up to 50%	Up to 50%	2009-2012	Documentation exists
3. Development and upgrading of social infrastructure and public administration	MNIP	10 millions	Up to 50%	Up to 50%	2009-2012	Documentation exists

Table 77. Priority investment Projects from the EIB-2 framework in the area of economic, utility and social infrastructure for 2010-2011 period (the Table does not contain Projects, but areas / sectors in which the Project will be chosen in line with the Financial Agreement with EIB that amounts to 100 millions of Euros – the Agreement should be signed by the end of third quarter of this year; the Project will be chosen in an Open Call procedure and their implementation will start in 2010.)⁵⁴

⁵³ It was established in the financial agreement that the EIB funding could be used for up to 50% of the total project value, while the minimum amount of at least 50% of funding should be provided from the Budget of the Republic of Serbia, that is from the individual budgets of the local self-government budgets and from other sources that are evidenced in budget – from donations, and from other sources (MNIP applied through the domestic NIPAK for IPF-MW funds in the form of donations to provide financial support for investment and donations for TA support)

⁵⁴ It shall be established by the financial agreement that the EIB funding can be used for up to 50% of the total project value, while the remaining minimum amount of 50% of the funding should be provided from the Republic of Serbia Budget, that is, from the budgets of local self-government units and from other sources that are listed in the Budget – donations, and other sources. (According to this Agreement, since it has not been concluded yet, MNIP has not yet applied for donors' funding, but it still wants to apply for donations through the domestic NIPAK for IPF-MW funds to provide support for the investment.)

Title of Project	Relevant Institution	Estimated Project Value (in EUR)	Information on Sources of Funding		Planned Period of Project Implementation	Current Status of Documentation
			Own Funds	External Sources of Funding		
1. Development and upgrading of environment (waste water and garbage dumps)	MNIP	25 millions	Up to 50%	Up to 50%	2010-2012	2009/2010
2. Development and upgrading of economic infrastructure	MNIP	25 millions	Up to 50%	Up to 50%	2010-2012	2009/2010
3. Development and upgrading of travelling and social infrastructure	MNIP	50 millions	Up to 50%	Up to 50%	2010-2012	2009/2010

Table 78. Priority reform Projects in the field of Project Cycle Management for 2009-2011 (IPA Programme)

Title of Project	Relevant Institution	Estimated Value of Project (in EUR)	Information on Sources of Funding		Planned Period of Project Implementation	Current Status of Documentation
			Own Funds	External Sources of Funding		
1. Development and upgrading of institutional capacities and professional training courses in the implementation procedure for Projects from the National Investment Plan framework	MNIP	21,210,000	210,000	21,000,000	2009 – 2011	IPA Project Fiche submitted in 2008



Ministry of Finance
Sector for Programming and Management of EU funds
and Development Assistance

**REPORT ON BASELINE VALUES
FOR MONITORING EFFECTIVENESS
OF INTERNATIONAL ASSISTANCE
TO THE REPUBLIC OF SERBIA**

ANNEX I

CONTENTS

Introduction	294
Results	296
1. Improved planning process in respective ministries and of the overall inter-sectoral planning and prioritization of international assistance (Indicator 1 of the Paris Declaration)	296
2. Improved alignment of projects and programs financed from international aid with national priorities (Indicator 3 of the Paris Declaration)	300
3. Enhancing inter-sectoral cooperation and sectoral approaches with the aim to improve alignment of donors' activities with national policies (Indicator 4 of the Paris Declaration)	303
4. Initiating the introduction of a decentralized system for management of EU funds (DIS) in order to ensure gradual flow of aid from the European Commission through national systems for management of public finances and public procurement (Indicators 5a and 5b of the Paris Declaration)	304
5. Improved level of predictability of external financing, with the aim to assist respective ministries in planning their annual activities and budgets (Indicator 7 of the Paris Declaration)	305
Conclusions	307

Introduction

The “Aid Effectiveness Agenda in 2008” (hereinafter: Agenda), which was adopted by the Commission for Programming and Management of EU funds and Development Assistance and was also presented as an Annex to the document “Needs of the Republic of Serbia for international assistance in the period 2008-2010”, identified five concrete goals:

1. Improvement of the planning process in respective ministries and of the overall inter-sectoral planning and prioritization regarding international aid;
2. Improved alignment of projects and programs financed from international aid with national priorities;
3. Enhancing inter-sectoral cooperation and sectoral approaches with the aim to improve alignment of donors’ activities with national policies;
4. Initiating the introduction of a decentralized system for management of EU funds (DIS) in order to ensure gradual flow of aid from the European Commission through national systems for management of public finances and public procurement;
5. Improved level of predictability of external financing, with the aim to assist respective ministries in planning their annual activities and budgets

In order to achieve these goals, monitor how they are realized, and take appropriate steps, the Ministry of Finance introduced an instrument by which the efficiency of international aid is monitored, whereas the year 2007 was the base year for measuring the indicators. During 2008 the Ministry of Finance (Sector for Allocation and Management of EU funds and Development Assistance) has pursuant to the Plan, and in cooperation with the donors’ community, organized research with the aim to establish initial values for the monitoring of efficiency of international assistance to the Republic of Serbia. The research included 28 development partners, and was conducted through interviews, questionnaires, estimates by employees in the Sector for Programming and Management of EU Funds and Development Assistance (hereinafter: Sector) and insight into official documents and official data.

On the basis of concrete aims defined in the Plan the Sector formulated, with technical assistance provided by “Rambol Management”⁵⁵, the indicators on the basis of which their realization shall be monitored, as well as target indicator values the reaching of which shall mean that the goals were realized. Year 2007 was taken as the base year for measuring the indicators. On the next page is the Table containing a survey of indicators.

This Report summarizes results of the mentioned research, as well as conclusions and recommendations which should initiate new steps and direct further activities to increase efficiency and effectiveness of international assistance to the Republic of Serbia, with the aim to obtain maximum effect upon the realization of reform strategies and development priorities of Serbia; the realization of reform strategies is also the general goal of the Plan.

The findings, conclusions and recommendations are presented both individually, at the level of indicators and concrete goals, and in an aggregate manner related to the general goal. In order to give as detailed as possible an insight into the entire process and methodology which were the basis for the research which produced the mentioned results, conclusions and recommendations, the Annexes to the Report contain the original form of the tables with integrated data, assessments and answers from the questionnaire.

⁵⁵ Technical assistance is ensured through the project “Common Support to the Ministry of Finance/Sector for Programming and Management of EU Funds and Development Assistance for improving coordination, planning, programming and realization of development assistance”, financed by Swedish SIDA and British DFID.

Table 1. Indicators related to monitoring concrete goals defined by the Plan

Concrete goal	Indicator
1. Improvement of the planning process in respective ministries and of the overall inter-sectoral planning and prioritization of international aid (Indicator 1 of the Paris Declaration)	1.1. Percentage of ministries which submit on time their contributions for the document Needs of the Republic of Serbia for International Assistance" to the Ministry of Finance
	1.1. All relevant ministries submit on time their contributions for the document "Needs of the Republic of Serbia for International Assistance in the period 2009-2011" to the Ministry of Finance
	1.2. Percentage of contributions of relevant ministries which in terms of quality follow the instructions of the Ministry of Finance
	1.2. Contributions of relevant ministries follow the instructions of the Ministry of Finance in terms of quality.
2. Improved alignment of projects and programs financed through international assistance with national priorities (Indicator 3 of the Paris Declaration)	1.3. Percentage of draft project proposals which the respective ministries entered into the ISDACon information system during the year under review, and which originate from the document „ Needs of the Republic of Serbia for International Assistance" which relates to the period under review.
	1.3. In 2008 the respective ministries entered into the ISDACon information system 80% of draft project proposals which originate from the document "Needs of the Republic of Serbia for International Assistance in the period 2008-2010".
	2.1. Percentage of donors' funds which in the year under review were allocated to programmes/projects registered in the ISDACon information system as draft project proposals
	2.1. 75% of donors' funds in 2008 were allocated to programmes/projects registered in the ISDACon information system as draft project proposals
3. Enhancing inter-sectoral cooperation and sectoral approaches with the aim to improve alignment of donors' activities with national policies (Indicator 4 of the Paris Declaration)	2.2. Percentage of donors (calculation based on the number of donors) which gave a positive answer to questions related to the utilization of the document Needs of the Republic of Serbia for International Assistance" in the period under review in planning and allocating their funds
	2.2. 80% of donors (calculation based on the number of donors) gave a positive answer to questions related to the utilization of the document "Needs of the Republic of Serbia for International Assistance in the period 2008- 2010" in planning and allocating their own funds
	3.1. Number and total values of projects which are the result of inter-sectoral cooperation and coordination in the year under review, in comparison to the previous year.
	3.1. Increase in numbers and total value of projects which are the result of inter-sectoral cooperation and coordination in 2008, in comparison to year 2007.
4. Initiating the introduction of a decentralized system for management of EU funds (DIS) in order to ensure gradual flow of European Commission's assistance through the national system for management of public finances and public procurement (Indicators 5a and 5b of the Paris Declaration)	4.1. Action Plan for introducing DIS shall be completed and adopted by the Government of Serbia by the end of the first quarter of 2008.
	4.2. Activities related to the introduction of DIS which were planned for 2008 have been implemented in accordance with the Action Plan
5. Improved level of predictability of external financing, with the aim to assist respective ministries in planning their annual activities and budget (Indicator 7 of the Paris Declaration)	5.1. Percentage of donors who submitted on time complete information on expected new funds for the period under review.
	5.1. All donors submitted on time complete information on 3expected new funds for the period 2008- 2010.
	5.2. Percentage of planned new funds for the year under review, which were approved until end of that year
	5.2. 80% of the planned new funds for 2008 were approved until the end of that year.

RESULTS

1. Improvement of the planning process in respective ministries and of the overall inter-sectoral planning and prioritization regarding international aid (*Indicator 1 of the Paris Declaration*)

Table 2. Results of research *Indicator 1.1*

Indicator	Initial value	Initial value/ Target value
1.1. Percentage of ministries which submit on time to the Ministry of Finance their contributions for the document Needs of the Republic of Serbia for International Assistance" 1.1. All relevant ministries submit on time to the Ministry of Finance their contributions for the document "Needs of the Republic of Serbia for International Assistance in the period 2009- 2011".	19 out of 21 submitted ----- 7 out of 19 submitted on time	90% submitted ----- 37% of those who submitted, did so on time

Findings

Evaluations by Sector's employees and insight into official data showed that 19 out of the total number of 21 ministries took part in the compilation of the document "Needs of the Republic of Serbia for International Assistance in the period 2008-2010", which is 90%, so that the number of ministries participating in the compilation of the document can be regarded as relatively satisfactory. The document did not cover the fields of competence of the Foreign Ministry and the Ministry of Kosovo and Metohija.

Respect for deadlines in which the respective ministries were to submit their answers relevant for the elaboration of the document was dissatisfactory, since only 37% of ministries participating in the elaboration of the document (7 out of 19) submitted their contributions within the time limit. Six ministries submitted their answers subsequently; the rest of the ministries did not manage to submit their answers within this, additionally defined time limit, and did so much later.

Conclusion

Interpretation of results must keep in mind that the document was evolving simultaneously with elections in the Republic of Serbia, which implied also redistribution of competences among the ministries; this is one of the significant causes for belated submission of contributions by the ministries. However, despite this aggravating circumstance and the context in which the document evolved, respect of deadlines by the competent ministries cannot be deemed satisfactory.

Having in mind that the finalization of planning sectoral and inter-sectoral needs for international assistance in a three-year period – i.e. the elaboration of the document Needs of the Republic of Serbia for International Assistance" – is the first step within a long-term and extremely complex cycle of allocating international aid, in order to reach the goal and realize the overall allocation process it is necessary to have precise coordination of work of all relevant ministries, including also strict respect of defined deadlines by all participants in the process.

Recommendation

It is necessary to insist that all participants in the process of allocating international aid strictly respect deadlines defined in the annual Calendar for allocating international aid, in order not to endanger successful realization and quality of the entire process.

Table 3. Results of research Indicator 1.2

Indicator	Initial value	Initial value/ Target value
1.2. Percentage of contributions of respective ministries which in terms of quality are in accordance with the instruction of the Ministry of Finance 1.2. Contributions of all relevant ministries are in terms of quality in accordance with the instruction of the Ministry of Finance	42%	42%

Findings

Evaluations by employees in the Sector and insight into official documents showed that contributions of the respective ministries for the compilation of the document “Needs of the Republic of Serbia for International Assistance in the period 2008-2010” are in terms of their completeness and quality relatively dissatisfying. Among the contributions, 11% were in terms of contents fully in accordance with the instruction of the Ministry of Finance, whilst 31% were mainly in accordance with the instruction; this means that only 42% of contributions have in terms of contents, quantity and quality satisfied the defined criteria to a certain extent.

There is a visible difference between the completeness and the quality of contributions, which is illustrated by the fact that 53% of contributions by their content mainly meet the defined criteria in terms of completeness, whilst the criteria of quality mainly satisfy only 37% of contributions. The most “problematic” parts of the contributions is their realism regarding human and technical capacities of the ministries for implementation of those projects which are defined as priorities for receiving international aid funds, as well as realism regarding total funds needed for the implementation of all projects. One of the more visible deficiencies of the contributions is the lack of data on existing and potential national financial means by which the project will be co-financed, and to a lesser extent also the absence of a clear connection between the project proposal and identified priorities. One of the significant deficiencies of the majority of contributions is also the very small number of inter-sectoral project proposals in relation to the total number of projects listed in the contributions.

Conclusion

Quality and completeness of contributions submitted by the respective ministries for the elaboration of the document “Needs of the Republic of Serbia for International Assistance” are crucial for the quality and usability of the final document, so that contents which do not correspond with defined criteria in terms of completeness and quality question the reliability and usability of the entire document. Having in mind that the process of defining priorities for a three-year period is based on the planning process in the respective ministries, the conclusion is that in the very process of activity planning there are deficiencies regarding harmonization of a big number of strategic and planning documents and the utilization of planning instruments which would in the mid-term enable comprehensive and realistic prioritization of activities within individual ministries.

Recommendation

The Sector has to cooperate with the respective ministries and focus upon the very beginning of their planning processes, i.e. the defining of priorities in a given sector, goals within ministries’ priorities and measures and activities for their achievement. This implies also Sector’s active participation in formulating GOP of the ministries, which shall in the future make it easier to define the ministries’ contributions to the document “Needs of the Republic of Serbia for International Assistance”.

Table 4. Research Results Indicator 1.3.

Indicator	Initial value	Initial value/ Target value
<p>1.3. Percentage of draft project proposals which the relevant ministries registered with the ISDACon information system during the year under review, and which originate from the document "Needs of the Republic of Serbia for International Assistance" covering the period under review.</p> <p>1.3. 80% draft project proposals which the respective ministries registered in the ISDACon information system during 2008 originate from the document "Needs of the Republic of Serbia for International Assistance in the period 2008-2010".</p>	<p>48% (based on the number of projects)</p> <p>68% (based on project values)</p>	<p>60% (based on the number of projects)</p> <p>85% (based on project values)</p>

Findings

Comparison of data from IS ISDACon and the document "Needs of the Republic of Serbia for international assistance in the period 2007-2009" shows that in 2007 the ministries registered 117 out of a total of 242 project with ISDACon, which originate from the document "Needs of the Republic of Serbia for international assistance in the period 2007-2009". This is 48% of the total number of projects entered into IS ISDACon in 2007. If the same correlation is viewed from the aspect of the value of projects which the ministries included into ISDACon in 2007, and which originate from the document "Needs of the Republic of Serbia for international assistance in the period 2007-2009", the percentage of the projects originating from the document is even greater – 68% (591,081,320 EUR).

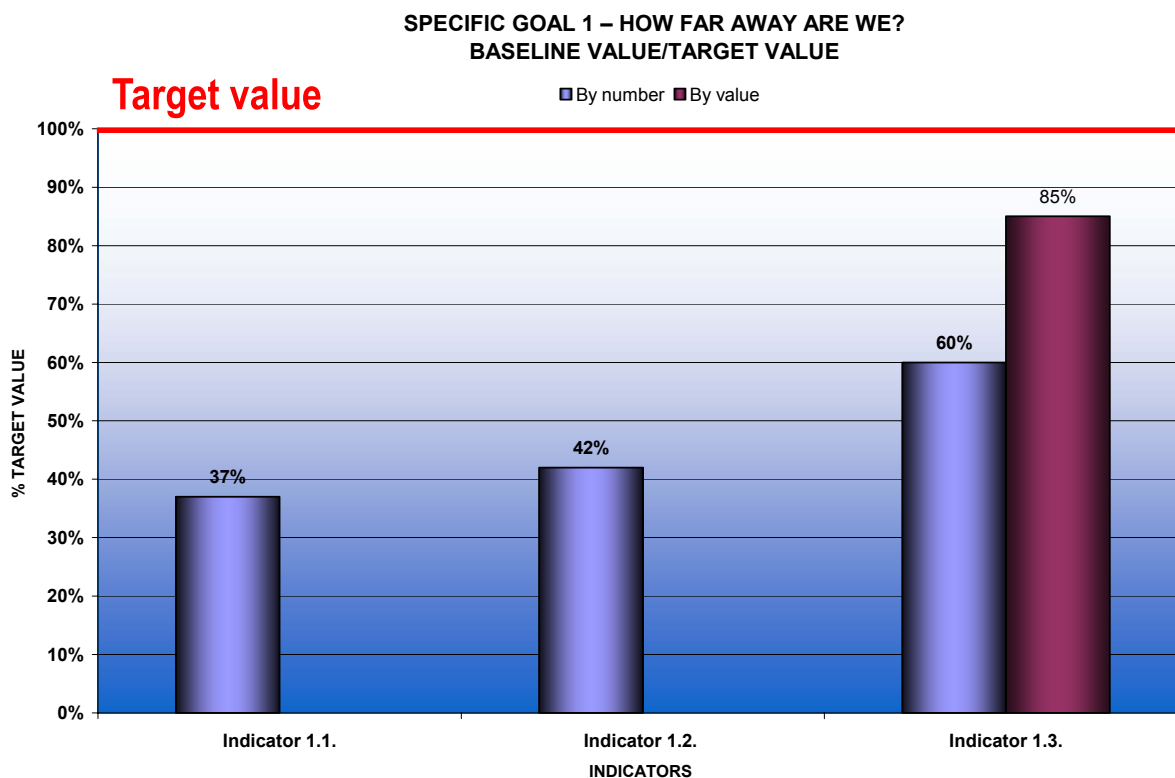
Conclusion

Since the target value of the project proposals in ISDACon which originate from the document is 80%, the conclusion is that other ministries were already in the pilot phase respecting to a significant extent the system for allocating international aid as defined by the Ministry of Finance. The conclusion is also that during the allocation process they were utilizing to a significant extent the available program documents, mechanisms and tools which were for the first time officially introduced into the process of allocating international aid – IS ISDACon and the document "Needs of the Republic of Serbia for International Assistance". It is realistic to expect that this positive trend shall continue, so that in 2008 the target value of 80% project proposals in ISDACon which originate from the "Need of the Republic of Serbia for International Assistance" shall be reached already in the phase in which international aid is allocated.

Recommendation

Continue utilization of ISDACon and the document "Need of the Republic of Serbia for international assistance" in the allocating process, with constant improvements of both the information system and the document, and of the process itself. Think of defining both the new indicator, and the new, more ambitious target values for the existing indicator.

Conclusion at the level of concrete goal 1



Using the document “Need of the Republic of Serbia for International Assistance” and IS ISDAICON in the different phases of allocating international aid for development offers possibilities for significant efficiency improvement regarding planning and allocation, better inter-sectoral communication and coordination in planning, better communication with state donors, as well as bigger transparency in the entire process.

In view of problems and deficiencies in the process of strategic planning prioritization and inter-sectoral coordination which were identified during the elaboration of the document “Need of the Republic of Serbia for international assistance” and additionally quantitatively confirmed by results of this research, it is necessary to inform both the ministries and donor states on the necessity and possibility of improving the mentioned processes, among others also by using the above mentioned, available tools.

2. Improved alignment of projects and programs financed from international aid with national priorities (*Indicator 3 of the Paris Declaration*)

Table 5. Research Results Indicator 2.1.

Indicator	Initial value	Initial value/ Target value
2.1. Percentage of donors' funds which in the year under review were allocated to programmes/projects registered in the ISDACon information system as draft project proposals	35% (based on the number of projects)	47% (based on the number of projects)
2.1. 75% of donors' funds in 2008 were allocated to programmes/projects registered in the ISDACon information system as draft project proposals	61% (based on project values project values)	81% (based on project values)

Findings

Insight into data contained in IS ISDACon shows that out of 162 programs/projects with a total value of 365,599,957 EUR, which were financed from donors' funds for 2007/2008, 56 projects registered in IS ISDACon as draft project proposals, which is 35% of the total number of projects for which donors' funds were allocated. Total value of the mentioned 56 projects is 221,283,744 EUR, which constitutes 61% of the total value of all donors' funds allocated for programs/projects in the Republic of Serbia in the period under review.

Conclusion

Having in mind that the target value of the indicators is to have 75% of donors' funds allocated for programs/projects registered in IS ISDACon as draft project proposals, the obtained results can be assessed as moderately satisfactory, particularly regarding the initial value of indicators on the basis of the value of the project, which makes for 81% of the indicators' target value. This result is a good basis for further improvement regarding alignment of projects and programs financed from international assistance with national priorities, by further improving the process of allocating, coordinating and directing donors' funds into the realization of priority national goals. Previous assessment of the quality of the planning process in competent ministries, particularly regarding weak inter-sectoral coordination and planning, can be one of the reasons why the high percentage of support for national priorities is not sufficiently high, apart from procedures and policies of the individual partners.

Recommendation

It is necessary if not to enhance, then at least to maintain at the same level Sector's engagement in coordination with the donors' community, first of all by constantly informing the donors on national developmental goals and programs/projects which are necessary for their realization. It is necessary to familiarize the donors' community with IS ISDACon and present again, both in the Republic of Serbia who is the beneficiary of the assistance and the donors, the possibilities and advantages thereof regarding the planning of fund allocations. Improvement of planning and prioritization in both the respective ministries and at the national level, and particularly the improvement of inter-sectoral cooperation in the planning process, would result in increased support to national priorities by the donors' community.

Table 6. Results of research **Indicator 2.2.**

Indicator	Initial Value	Initial value/ Target value
<p>2.2. Percentage of donors (calculation based on the number of donors) which give positive answers regarding issues related to the utilization of the document “Needs of the Republic of Serbia for International Assistance” in the given period, in planning and allocating their funds.</p> <p>2.2. 80% of donors (calculated on the basis of the number of donors) give positive answers to issues related to the use of the document “Needs of the Republic of Serbia for International Assistance in the period 2008- 2010”.</p>	32%	40%

Findings

The questionnaire was answered by 23 development partners of the Republic of Serbia, and the result was that 32% of donors who filled in the questionnaire gave positive answers to questions related to the utilization of the document “Needs of the Republic of Serbia for International Assistance” in planning and allocating their funds. 17 donors (74%) were completely or to a great extent familiar with the document, 5 donors (22%) used the document to a great extent when defining their own strategies for extending development help to the Republic of Serbia, and an equal number considers the document to be a useful tool for defining priorities and identification of long-term needs of the Republic of Serbia for development assistance. An equal number of donors also use the document for annual operational planning of their assistance to the Republic of Serbia and use it when deciding on funding individual projects. 6 donors (26%) consider the information offered by the document, which they use to decide on financing of programs/projects in the Republic of Serbia, as being mainly of a satisfactory quality.

The donors name various reasons for which they do not use the document for planning and allocating their funds – non-existence of Republic of Serbia's own specific strategy (there is a regional strategic framework), reservations as regards acceptance of the document by relevant factors on the Serbian side, purpose of the concept which was up to now used as the basis for compiling the document, inconsistency with the National Plan for Integration (NPI), different planning cycles in terms of time, incompatibility of the sector with sectors in which they are active, insufficient quantity of information, insufficient level of prioritization of projects within the document. A significant number of donors answered that they did not use the document, because this would not be necessary in view of the volume of their assistance.

Conclusion

Having in mind that the target value of the indicator is to have 80% of donors give a positive answer to questions related to the utilization of the document “Needs of the Republic of Serbia for International Assistance” in planning and allocating their funds, the conclusion is that 32% of donors (i.e. 40% of the target value) represents an unsatisfactory result. Although 47% of donors claims to be fully or to a great extent familiar with the document “Needs of the Republic of Serbia for International Assistance”, it is obvious that the document was not accepted by the donor community for what it represents – a comprehensive, inter-sectoral, programmatic document which defines priority programmes and activities within the sector; inter-sectoral priorities, which serve as a basis for allocating international aid funds with the aim to improve efficiency of this assistance; based upon the existing strategic framework and defined mid-term aims, it defines the programme of priority activities and projects for the realization of these aims.

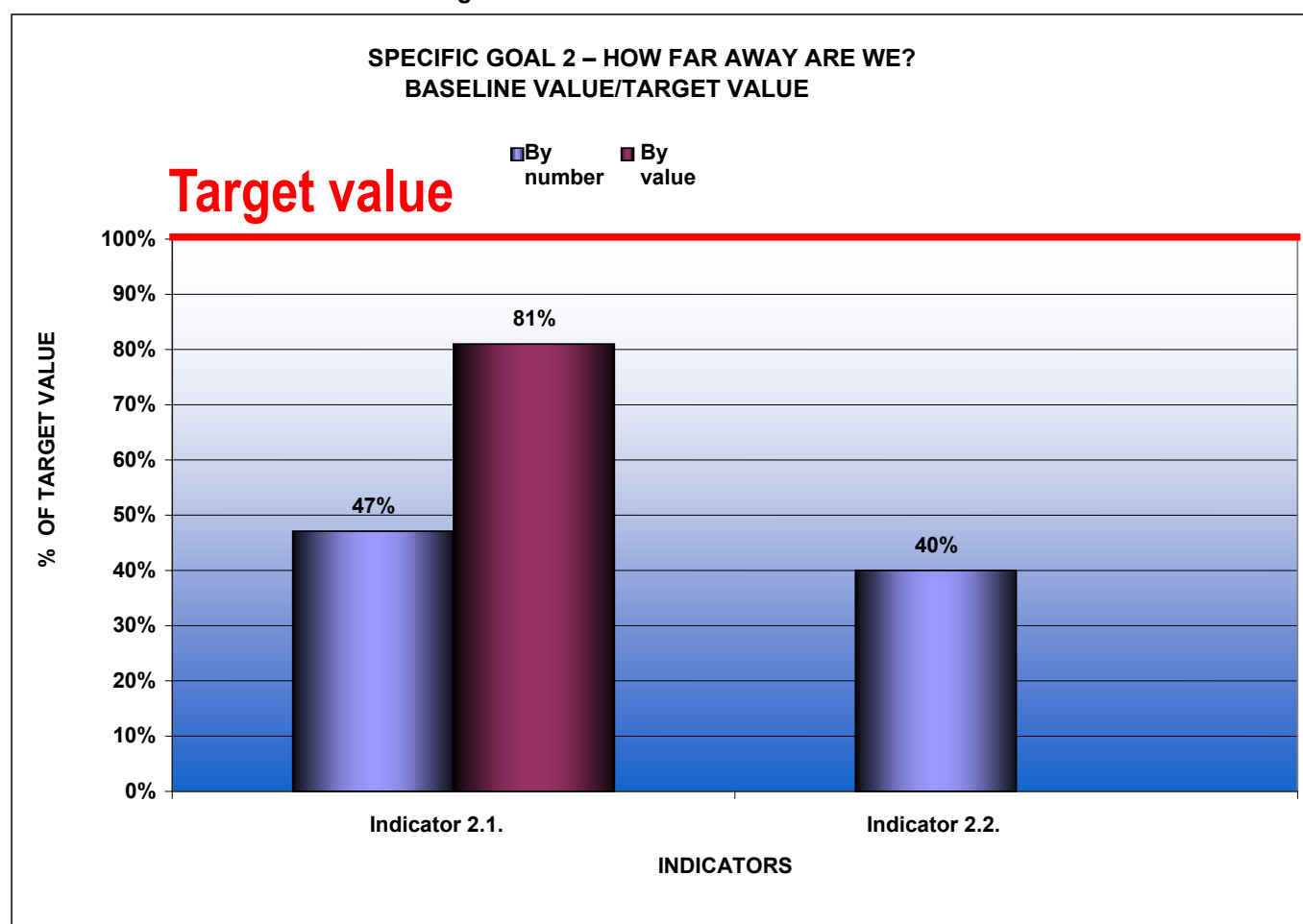
Having in mind that earlier in this report – based on measuring initial values of indicators linked to the specific goal 1 – it was established that 90% of ministries participate in the compilation of the document (including also institutions which are within the competences of these ministries) the conclusion is that the document was to a great extent approved by relevant factors in the Republic of Serbia, although it is clear both in view of donors' comments in the

questionnaire and on the basis of measured initial values of indicators linked to the concrete goal 1, that the quality and usability of the document are not at a desired level.

Recommendation

It is necessary to have a more active promotion, i.e. to inform the donor community on the contents and particularly on the purpose of the document “Needs of the Republic of Serbia for International Assistance”, as a comprehensive document which represents a basis for allocating international aid to the Republic of Serbia; it defines priority programmes and activities within the sector, as well as inter-sectoral priorities which are to be financed from international development aid with the aim to improve efficiency of this assistance. What is more important, Judging by comments of the donors, as regards cooperation with all ministries and the donor community it is even more important to make an important breakthrough in terms of quality and usability of the document.

Conclusion at the level of concrete goal 2



By introducing the document “Needs of the Republic of Serbia for International Assistance” and including IS ISDACON into the process of international aid allocation the Government of the Republic of Serbia made a significant step in the direction of ownership over the entire process. It is necessary to conform clearly to the donors' community that the system by which international aid is allocated, which has been built in years, is a long-term commitment of the Government and to insist that the donors should be using it to a greater extent when planning and allocating their funds; all this is important for having the projects and programmes financed from international assistance align with national priorities.

The precondition for making full use of all possibilities offered by the mentioned allocation processes and tools is to constantly improve them, adapt them to the users and improve the quality and reliability of their contents

3. Enhancing inter-sectoral cooperation and sectoral approaches with the aim to improve alignment of donors' activities with national policies (*Indicator 4 of the Paris Declaration*)

Table 7. Results of research *Indicator 3.1.*

Indicator	Initial value
3.1. Number and total project values which are the result of inter-sectoral cooperation and coordination in the year under review, in comparison to the previous year.	17 (number of projects)
3.1. Increase in the number and total project values which are the result of inter-sectoral cooperation and coordination in 2008.	54 mill. € (value of projects)

Findings

Data contained in IS ISDACON show that out of 242 project proposals which the ministries registered with the system in 2007, only 17 evolved as a result of inter-sectoral cooperation and coordination. The value of these projects is 54 million EURO.

Conclusion/Recommendation

In view of the limited available funds from international assistance, and the need for financial support in the realization of inter-sectoral priorities, the conclusion is that there is a need for a significantly bigger number of projects which shall be inter-sectoral. Equally, in order to enhance coordination in allocating own and external financial sources it is necessary to give bigger support to competent ministries for initiating sectorial approaches.

In view of Sector's extraordinary engagement in 2008 on initiating and encouraging inter-sectoral cooperation and sectoral approaches in the competent ministries, a favourable result could be expected for the next measuring of this indicator, i.e. it is realistic to expect that in the future the number and total value of the projects shall increase as a result of inter-sectoral cooperation and coordination.

4. Initiating the introduction of a decentralized system for management of EU funds (DIS) in order to ensure gradual directing of assistance of the European Commission through national systems for management of public finances and public procurement (*Indicators 5a and 5b of the Paris Declaration*)

Table 8. Research results Indicators 4.1. and 4.2

Indicator	Initial value
4.1. Action Plan for introducing DIS shall be completed and adopted by the Government of Serbia by the end of the first quarter of 2008	-
4.2. Activities on introducing DIS which were planned for 2008 are realized in accordance with the Action Plan	/

The Government of the Republic of Serbia adopted the Plan of Activities for the preparation of accreditations for the Decentralized System of EU Fund Management (DIS) in the Republic of Serbia (Government Conclusion 05 No. 48-1759/2008-2, 24 April 2008) and thus provided a strategic framework for establishing this system. A composite part of this strategic document is the so-called Road Map which defines steps which have to be taken with the aim to fulfil obligations related to the establishment of the DIS system. The Road Map approved by the European Commission should be considered to represent exactly what the envisaged Action was to contain; therefore this Action Plan as such shall not be adopted at all.

Activities planned for phase 0 and phase 1 were realized. The basic result of activities implemented up to now was to identify deficiencies in the system, which is reflected in the Report on Identified Deficiencies. The Report contains the concrete time-framework within which it is necessary to remove the identified deficiencies.

The process of removal of deficiencies shall be implemented in Phase 2 which is planned to be realized until mid-2010, the so-called Deficiency Removal phase.

Each of the mentioned phases includes a big number of concrete activities, whose individual precise measuring and monitoring in practice was brought into question because some of the activities are implemented in parallel, and contributions to these results can be best assessed through comprehensive reports such as, for instance, the Report on Identified Deficiencies.

Having in mind the above said, it shall be considered that Indicator 4.1 was fulfilled. It shall also be considered that the role of the Action Plan for measuring progress in introducing DIS will actually be played by the Plan of Activities for the preparation of accreditations for the Decentralized System for Managing EU Funds which were adopted by the Government (the Indicator shall be reformulated so as to follow the realization of phases envisaged by the mentioned Road Map).

5. Improved level of predictability of external financing, with the aim to assist respective ministries in planning their annual activities and budgets (*Indicator 7 of the Paris Declaration*)

Table 9. Research results Indicator 5.1.

Indicator	Initial value
5.1. Percentage of donors who submitted on time complete information regarding expected new funds for the period under review 5.1. All donors submitted on time complete information regarding expected new funds for the period 2008- 2010.	54% donors submitted contributions 39% donors submitted contributions on time 12% of submitted contributions were complete

Findings

Sector's data regarding submitted donors' contributions to be used in compiling the Action Plan for allocating international aid funds (Annex – Expected donors' funds in the period 2007-2009), show that 15 out of 28 donors (54%) submitted contributions on planned new funds in the period 2007-2009. Out of this number, 11 donors submitted their contributions respecting to a certain extent the given deadline, whilst at the same time 12% of submitted contributions were complete in terms of information asked for.

Conclusions

The basic goal to be met by ensuring data on expected international aid funds in the forthcoming three-year period is to improve the planning activities process and to make financial plans for budgetary financing in respective ministries and other state institutions. Because of belatedness and incompleteness of information obtained from donors, the predictability of external financial sources is at an unsatisfactory level, which makes it more difficult for the respective ministries to plan their annual activities and budgets.

Recommendation

Inform the donors on results of this research and stress the significance of predictability of external financial sources for annual planning of activities and budgets in ministries. Enhance cooperation of the Sector with the donors with the aim to obtain usable information, while respecting time limits.

Table 10. Research results **Indicator 5.2.**

Indicator	Initial value	Initial value/ Target value
5.2. Percentage of planned new funds for the year under review, which were approved by end of that year 5.2. 80% of planned new funds for 2008 were approved by the end of that year	106%	133%

Findings

Sector's data relating to the submission of donors' contributions on planned new funds in 2007 and data obtained from IS ISDA CON show that the total value of planned new donors' funds in 2007 was 294,601,048 EUR, and that in 2007 effectively were approved 311,056,961 EUR, which makes 106% of planned new funds in 2007.

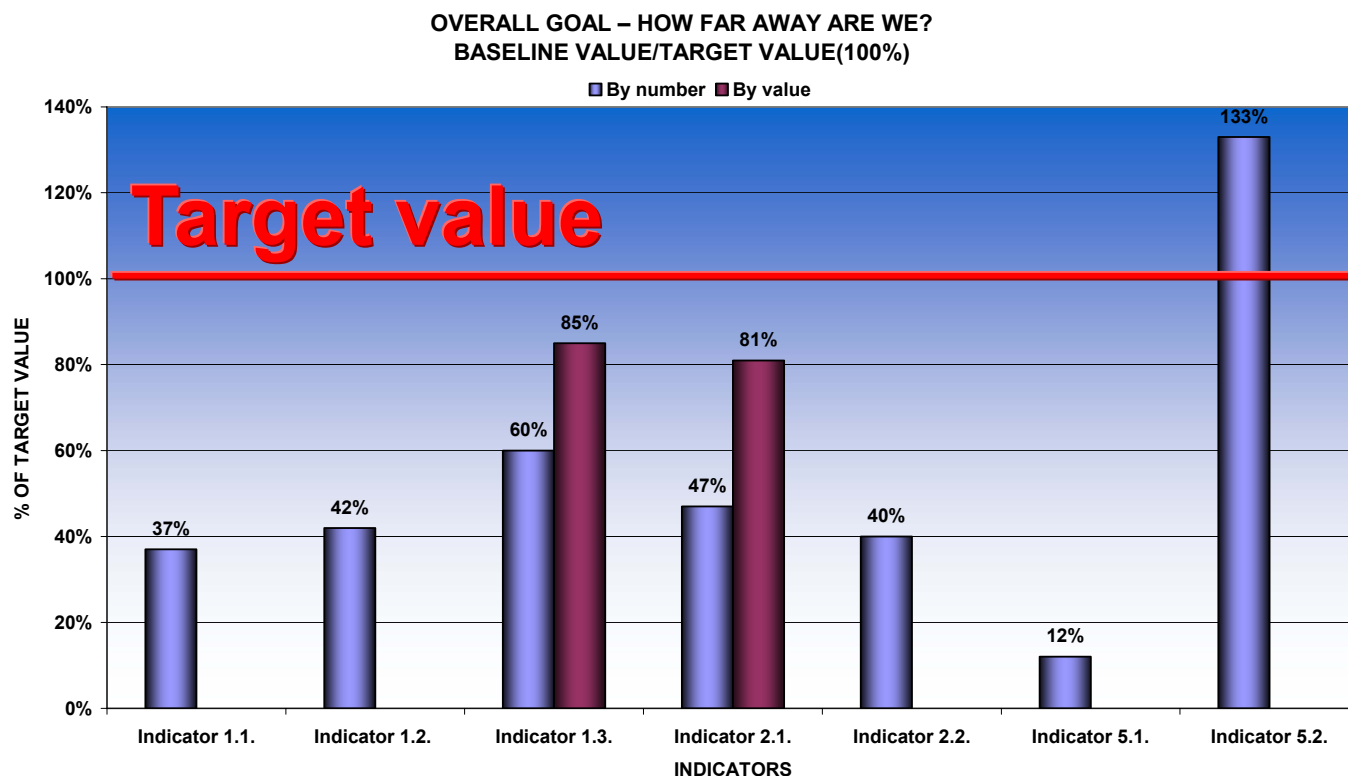
Conclusion

As regards predictability of external financing this result is a positive one, and in view of the target value of the indicator also somewhat unexpected. However, having in mind the measured initial values and the findings and conclusions related to the previous Indicator (Indicator 5.1.) one should be cautious about optimistic interpretations of results related to Indicator 5.2 because previous Indicators established that only 54% of donors submitted their contributions on planned new funds, and that in the majority of cases information was not complete; with such an initial value of the Indicator 5.2 this can altogether mean also that external financing is rather unpredictable.

Recommendation

Reassessment of the Indicator and, if necessary, correction of the target value of the Indicator.

Conclusion



When the target indicator values are reached, this shall mean that the specific goals of the Plan, and accordingly its general goal, have been realized – to increase effectiveness and efficiency of funds within international assistance, as a contribution to reaching reform strategies and developmental priorities of Serbia.

As defined by the Plan – the goal of increasing effectiveness and efficiency of international assistance can be realized only through constant common efforts of the Government of the Republic of Serbia and the donors' community in the realization of the principles of the Paris Declaration on Aid Effectiveness, signed in March 2005 in Paris by representatives of donors and partner countries-beneficiaries of assistance. In accordance with the previously said, and having insight into research results upon which this Report was made, in order to reach the mutually desirable goal in the forthcoming period it will be necessary to revise the initial Plan, to analyse and adapt it and, when needed, to add or remove certain indicators, and to measure the progress made in regard to initial values related to monitoring effectiveness of international aid to the Republic of Serbia and in direct connection with concrete goals: Enhancing the existing system, processes, mechanisms and tools for allocating, managing and coordinating international development aid in terms of quality, reliability and usability; Work on recognition, acceptance and use thereof, both by relevant institutions of the Republic of Serbia and the donors' community in the Republic of Serbia; Work more actively on initiating and promoting inter-sectoral cooperation and sectoral approaches in the respective ministries; Intensify cooperation among donors and the Sector and ensure a constant two-way flow of information necessary for the increase of effectiveness and efficiency of international aid to the Republic of Serbia.

ASSESSMENT OF THE IMPACT OF DEVELOPMENT ASSISTANCE UPON EMPLOYMENT

ANNEX II

During 2008 the Ministry of Finance engaged an expert group to compile the study Analysis of Impact of International Assistance upon Employment in the period 2001-2005. A group of projects/programs funded from international aid was analysed on the basis of the following criteria:

- **Relevance of projects** and programs financed by donors regarding needs and national priorities of Serbia existing at the time of adoption of the project/program (Strategy for EU Accession, Strategy for Reduction of Poverty, National Development Plan, National Employment Strategy, etc.)
- **Their sustainability**, i.e. probability that the benefits of externally financed projects and programs shall be sustained, or exceed the period of validity of the projects and programs.
- **Impact of the projects and programs upon the development of institutions** is the basic issue in assessment – to which extent shall the external projects start a process of implementation and thus enhance the possibility of Serbian authorities and/or institutions to make better use of available national human and financial resources.
- **Their efficiency**, i.e. to which extent it is expected that the development goal of the projects and programs of external assistance, defined as “creation of employment”, shall be achieved.
- The sixth criterion relates to **harmonization both at the level of politics and the level of usage of national systems**.

Here we present a survey of **limitations** resulting from the analysis itself, as well as basic conclusions and findings.

First of all, the unemployment problem is extraordinary complex and a big number of factors influence it. Therefore it is extremely difficult to select projects which are relevant for the research of the impact which donors' programs have upon developments in the field of employment. In the long run, it is possible to presume that as regards increase in employment lesser benefits can be achieved by direct investment into creation of new jobs, and bigger through economic development and reforms in the sector of education, development of small and medium enterprises, encouragement of exports or even through reforms of the judiciary and fighting corruption. In order to keep in mind these “indirect”, but very important effects, the analyses included also a number of projects which at the level of Government were not been handled strictly within the Sector of Work and Employment. However, the choice was limited to include those projects where indirect effects were more visible.

The second important limitation is that no detailed evaluations were made for any of the projects upon their completion, and even more important, that evaluation was not envisaged as

a composite part of the project. Projects of the World Bank, European Agency for Reconstruction (EAR) and UNDP included the evaluation component, and later also a rather detailed evaluation of the project, and USAID projects were subsequently evaluated. Some elements of evaluation can be identified also in the final reports made by the National Employment Service's project team and individual international experts.

However, it is also a fact that detailed evaluations, cost-benefit analyses for all components, and particularly a long-term monitoring of a project's impact upon its completion, request big funds. This is certainly not justified in case of relatively small projects, or those which are designed in such a manner that the effects are single-time and/or short-term ones. Effects are to be monitored primarily in regard to comprehensive projects, for those which are of crucial significance for the formulation of state policies and whose further implementation potentially has great impact upon the state budget.

The third limitation partly stems from the fact that evaluation is limited to the period 2001-2005. Focus upon the selected time period makes it possible to comprehend today, two years later, the immediate effects of the majority of projects. The realization of a number of analysed projects, however, has only started during the period under review, and their entire effects could not be evaluated. On the other hand, for some of the projects even the time-distance of two years was not sufficient for the assessment of their full impact.

Total funds invested into projects for direct encouragement of employment in the given period are relatively small, about 12 million EURO, and make less than 1% of donors' investments, if only projects which ISDACON categorizes into the project group "Work and employment" are under review. However, if we include also those projects which indirectly encourage employment, the situation is significantly different and the total realized aid is significantly bigger. The final amount is very hard to establish because certain big programs, like CRDA, had only some components with impact upon unemployment. Having this in mind, as well as the fact that there are a number of projects which were indirectly supporting employment, total funds used for projects which are represented in this Report are approximately 230 million EUR and can be taken as the lower limit of the total amount of funds which the donors allocated as support to employment.

Generally speaking, impact of donors' projects upon developments in the field of employment in Serbia is **satisfactory**. The programs have made most significant influence strengthening capacities and the ways in which national institution function, in which the strategic documents and legislation are formulated, and a number of projects have also directly contributed to an increase in employment.

The majority of projects can be assessed as being to a significant extent **aligned with the needs and national priorities**. Here, of course, it has to be kept in mind that the Government of the Republic of Serbia in its first years after changes introduced on 5 October 2000, actually did not have either strategic documents or clearly defined national priorities. The first to be formulated was the Strategy for Poverty Reduction in 2003, which the donors were later "invoking" to a significant extent. Reduction of unemployment and different components of the policy in the field of employment which were part of donors' support are no doubt among priorities of this strategy.

It is, however, difficult to assess how much have the donors really respected the Government' requests, i.e. individual ministries, and how much they were imposing themes having in mind their own agendas and affinities. The fact is that the spectre of issues encompassed by this domain is very broad, as well as that the National Employment Strategy, and particularly the Employment Action Plan, evolved only at the end of the period under review. In other words, if there are certain inconsistencies they cannot be attributed as a critical remark to the donors, but first of all to initial difficulties faced by the Government in the first years of transition.

Subsequent analysis of how much the presented projects were in accordance with strategic and action documents in the field of employment leads to the conclusion that the donors had to a great extent anticipated activities which these documents contained. However, the impression is made that the link between education and employment was not sufficiently identified, having in mind the long-term significance of the reform of the education system, not only for the solution to the problem of unemployment but also for social inclusion. Also, in the period under review activation of unemployed persons was not sufficiently in focus of donors' projects.

Sustainability of the program into which the donors were investing can be assessed in different ways. There is no project for which it can be said to have been completely unsustainable, but certain components within different programmes did not survive after donors' funds were withdrawn. Examples range from complete sustainability, as is the case with Transition Centres, the National Agency for small and medium enterprises, certain new services within the National Employment Service, up to unsustainable regional agencies for small and medium enterprises which further on could be self-financed by rendering services.

However, the fact is that sustainability of components of individual programs was actually ensured through "finding" new donors. Therefore, a more complete assessment of criteria of sustainability must actually be postponed, and a complete assessment shall be possible only after the end of financing from new sources.

It also visible that for a number of programmes or sub-programmes it is not possible to give an assessment on sustainability because there are no adequate databases which would make it possible to take into account the relatively high number of beneficiaries of the funds (enterprises and individuals).

When viewed only on the basis of the given sample, it seems that more sustainable are big projects at the national level, directed at institutions, strategic documents and legal changes. This is probably the result of the fact that bigger funds automatically imply also bigger focus upon this criterion of both the donors and national institutions. It also has been shown that in this sense the national level is less sensitive to relatively often changes of the executive branch, particularly in regard to strategic documents.

The impact of donors' projects and programmes upon the development of institutions can be entirely assessed as significant, and possibly also as their most significant contribution.

The biggest number of donors' programmes and sub-projects was directly or indirectly related to the **strengthening of capacities** of national institutions. The National Employment Service, SIEPA, but also the respective ministries, enhanced their work programmes, procedures and human potentials using advantages offered by the work for not only the international, but also local experts financed from donors' projects.

New services emerged which exist also today, such as employment fairs, business clubs, users' service with an info-point and work stations for self-service which enable registers of unemployment and their informing, call-centres with their own separate number for employers with the aim to inform them, etc.

Through donors' programs initiated were also **organizational changes**. The Training Centre was formed within the Ministry of Labour, initiated was the work of local councils for employment, within the National Employment Service were formed new centres: Centre for Projects and International Cooperation, Centre for Quality, Centre for Education and Training; and the Centre for Employment of Disabled Persons. In a number of municipalities were established also regional agencies for the development of small and medium enterprises, and support was given also to the establishment of a national agency for the development of small and medium enterprises.

The **new method of work** can be illustrated by the division of work between the advisors and filing clerks in the National Employment Service, as well as by the introduction of a new system of management on the basis of aims and the change in the system for measuring performance of employees and their compensation.

Indirect impact upon the capacities of the National Employment Service had also projects which enabled piloting of active employment measures, and certainly also different training programmes with direct impact. A big number of projects included **training** as a separate component: training of employees in the National Employment Service, instructors who shall train at the local level, training business consultants, as well as training of surplus employees and unemployed persons.

In the first years of transition the World Bank has through its projects significantly influenced also the elaboration of the Labour Law and legislation dealing with employment and insurance in case of unemployment. Although the impact of these projects cannot be quantified, their contribution to the increase of flexibility of the labour market is certainly big.

Efficiency defined as direct impact upon “creation of employment” cannot be used as a criterion for the assessment of the majority of donors’ programs in the period under review. A relatively small number of donors’ projects in Serbia was directly oriented towards employment. A total of approximately 50 thousand jobs were created through these projects during the period under review. The cost-benefit analysis for the USAID project, which in this group is by far the most significant one according to results, shows that a part of these investments cannot be fully assessed as positive. Likewise, the evaluation of the UNDP project in the part related to the cost-benefit analysis indicated its inefficiency. It is impossible to establish efficiency of projects whose aim is temporary employment, as well as of projects which were to enable greater probability of employment through training, because it is not envisaged to monitor the work status of beneficiaries after the project came to an end. For a complete assessment of “efficiency” it would probably be necessary to organize an adequate interview with persons who were beneficiaries of these programmes. However, such type of research would not make sense from the aspect of assessing total efficiency of donors’ programs; it would only make sense if the state would intend, for instance, to continue implementation of some of the components for which it is not completely sure that they shall produce real benefits and whether it is rational to invest into them.

Harmonization at the level of polices and using national procedures, strategies and institutions can be positively assessed. Assistance was mainly given in accordance with envisaged procedures and Government procedures, coordinated with state structures at both the national and local levels. Only one project was implemented exclusively in accordance with internal procedures of the donors.

Apart from making an effort to align with national priorities and available strategic documents, through their funds and/or expertise the donors influenced also the formulations of certain **strategic and planning documents**, such as the National Employment Strategy, National Action Plan for Employment, Strategy for Change of the National Employment Service for the period 2006-2008 etc. As a result of donors’ programs the National Employment Service elaborated documents “Policy of information” and “Guidelines for gender equality”, and the Ministry of Education gave foundations for the reform of secondary vocational education through the elaboration of strategic documents “Policy and Strategy for the Development of Secondary Vocational Education in Serbia”, “Concept of Secondary Vocational Education in Serbia” and “Policy and Strategy for the Development of Adult Education in Serbia”. Besides, elaborated were local plans for economic development in a number of municipalities, and defined were priorities in the domain of non-financial support to MSP etc.

However, it is possible to point also at a finding which resulted from interviews with governmental institutions which were beneficiaries of donors’ funds. The majority of respondents, namely, indicate that the establishment of separate units for the implementation of the projects is not a good solution. After completion of a project these teams most often do not

function anymore, and the capacity built during the implementation is irrevocably lost. When viewed in this context, the implementation of projects should be first of all assigned to institutions which implement similar national programs. So, for instance, projects linked to training of unemployed persons should be implemented by the National Employment Service.

Finally, it should be kept in mind also that the performed analysis is first of all based upon internal evaluations, which by their nature never are sufficiently critical. However, even in such circumstances it is possible to show certain results which are not satisfactory. The most visible ones are no doubt the unsuccessful attempts of enhancing the information system in the National Employment Service, which are mentioned in the evaluation of two donors' projects.

On the other hand, it is also important to say that in Serbia, like in the majority of countries in transition, it is not the practice to include the evaluation component not only in regard to certain projects but also, which is much more significant, in regard to measures of governmental policies for which significant budgetary means are allocated. It is necessary to evaluate a big number of changes in the field of employment policies, active measures and programs, and to calculate the costs and benefits; this should be the basis for making decisions on further strategic directions regarding the fight against unemployment. In the absence of better mechanisms the evaluations made within individual projects on the list of donors' projects, and which are presented in this analysis, can be used as a model.

On the basis of the previous analysis it is possible to formulate a number of recommendations which in the future have to be kept in mind for the purpose of achieving better impact of the donors' projects:

1. The Government, i.e. respective ministries, should have clearer strategies and action plans and within them a clear vision regarding segments for which they must have donor assistance, and not to adapt to donors' requests and "offers".
2. In the forthcoming period projects related to employment should be completely aligned with national strategic documents and particularly with the Employment Action Plan, which represents a good basis for further reforms of the system and includes all relevant aspects if the issue (small and medium enterprises; support to endangered groups; reform of services which deal with these issues; training programs for unemployed...)
3. Donors' programs have made most significant impact in the field of capacity strengthening and the way in which national institutions function, and in regard to formulating strategic documents and legislation.
4. Part of the donors' support should be directed also to the enhancement of the IT system, both regarding state administration and IT system projects. A detailed analysis should be made on why attempts to improve the information system in the National Employment Service, and to remove them, were unsuccessful. It is also necessary to predict the obligation of a given institution to take over the data bases after the project was completed.
5. In the forthcoming period donors' assistance should to a greater extent focus also upon the reform of education, activation of unemployed persons, as well as detailed precision of themes and projects for which means from European funds could be received.
6. Instead of forming separate units and teams for implementing donors' projects, considered should be the possibility to assign implementation to competent national institutions.
7. It is necessary to include the project sustainability component into the project proposal, particularly at the local level.

8. For small donors' projects with single-time effects it is not necessary to plan the evaluation component.
9. On the other hand, evaluation is necessary for big projects, particularly in case of projects which imply long-term implementation, a reform of Government's policy or for those which in fact are a kind of pilot projects which in the forthcoming phase shall be more broadly implemented.
10. It is necessary to establish in advance which projects fulfil criteria for monitoring the impact and include the evaluation component, which must be part of the project and elaborated in detail in the project task.
11. For projects whose effects are monitored in a longer period of time, after the withdrawal of donors, means and ways in which the effects shall be monitored must be defined by the Government, i.e. the respective ministries. It is necessary to precisely define institutions and teams which will monitor the effects after the project is completed.
12. When assessing the potential project impact in mind should be kept particularly the indirect effects as well as the extent to which the projects actually contribute to lasting and essential changes in a given domain.

