

spatial restraints for the construction and installation of mobile telecommunications infrastructure.

- In line with the comparative practices of developed EU countries such as Germany and Finland, but also of some countries in the region (e.g. Croatia), we propose that mobile telecommunications facilities should be excluded from Schedule 2 of the Regulation establishing a list of projects subject to mandatory impact assessment and the list of projects for which an environmental impact assessment may be required, so that, rather than carrying out an environmental impact assessment for each individual base station, it would be sufficient to provide the local government with a notice of the base station setup including the relevant measurements, prior to its commissioning, whereby local government will have the possibility to carry out inspection.
- Amendment of the Rulebook determining fees for the provision of services within the competence of RATEL with a view to reducing disproportionate costs for operators by applying the cost principle for determining the amount of charges for issuing individual licenses.
- Continuation of market liberalization by applying the CLL technology in accordance with the effects achieved so far and the need to increase competitiveness.
- The NBS needs to issue a positive opinion on the provision of Direct Carrier Billing services according to the EU model, with a view to facilitating the direct payment of digital content on Google Play and Apple Store through telecom operators under the EU model.

DIGITALIZATION AND E-COMMERCE

1.60

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Following a discussion between the state and businesses, formulate a single approach to regulating relations between traditional and digital business models, taking into account the needs of the digital economy development and the state's fiscal interests.	2018			√
Rely on entities that have already identified their users, such as banks, insurance companies or mobile operators, when issuing electronic identification schemes to enable remote user identification.	2017	√		
It is important to facilitate the use of digital identity/signature so that it may reach the widest possible circle of citizens without high cost and in a simple way. We recommend that all state bodies should be harmonized (NBS, Ministries) in order to enable a facilitated use of digital signature (2F authentication) for contract signing (banks, insurance houses). In order to emphasize the reliability and easiness of digital signature usage and with the goal of expanding its use, citizens should be informed through educational campaigns about all the possibilities, rights and benefits from this type of channel.	2017		√	

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Electronic payments should be promoted on three levels: automatic recording of citizens' payments by the public administration, based on taxes and fees, without the need to file hard copy evidence; by enabling direct charging of digital contents from Google Play and Apple Store, through telecommunications operators under the EU model, and by allowing transactions between residents and through foreign services, such as PayPal.	2017			√
We propose that Serbia regulate cryptocurrencies, so as to ensure support and legal security to both physical and legal persons mining and trading in cryptocurrencies, on the one hand, and to secure additional revenues for the budget of the Republic of Serbia, on the other.	2018			√

CURRENT SITUATION

The current regulatory framework provides possibilities for business entities to develop digital sales channels, as well as to protect consumer rights within the online environment. However, insufficient awareness and prejudices result in the fact that this type of purchase is not yet developed enough. Although this type of trade has been growing steadily, electronic commerce still has a great potential for growth. According to the Statistical Office of Serbia, in 2018, 45% of citizens had never purchased goods or services online. However, only seven years earlier, in 2011, this percentage was as high as 87%, showing that this branch of business was growing constantly.

According to the National Bank of Serbia (NBS), the number of e-commerce transactions in 2018 was 7.6 million, and the total turnover was EUR 176 million. An average of just EUR 23 per transaction shows that there is still enough room for improvement. For example, an average consumer transaction related to purchases through digital channels goes from EUR 41 in Bulgaria to EUR 633 euros in Russia to over the EUR 1,800 in the European Union (EU). Increasing the volume and average value of transactions can be achieved through constant education in order to provide assurances to citizens that their rights are guaranteed both during purchases and during distance contracting.

Since the Government proclaimed digitalization as one of its key priorities, most regulatory initiatives have recognized the significance of digital operations and e-procedures. An "e-paper" project is under way with the goal to simplify, optimize and digitalize administrative procedures. A database of nearly 2,500 administrative procedures has been created, with plans prepared for the optimization or cancellation for

600 procedures. By the end of the year, the digitization of the first 30 procedures is planned. The joint work of the Republic and the Province continues with inventoring and streamlining procedures in the Autonomous Province of Vojvodina, with the ultimate goal of developing a more efficient, safer and more transparent business environment.

On the other hand, electronic procedures are not sufficiently present on the ground, and administrative authorities often insist on the use of paper documents. An amendment to the Law on Companies has abolished the use of seals for business entities, scrapping provisions in 10 laws and 107 by-laws in which seal is mentioned. After the adoption of this amendment, no institution, bank or organization has the right to demand a seal from businesses or entrepreneurs.

The IT and e-Government Office of the Serbian Government is the central authority for the coordination of e-Gov related activities, managing the public IT infrastructure and providing information security. The Coordination Council for e-Government has been established, gathering representatives of different ministries under the auspices of the Prime Minister of the Republic of Serbia. This year, the focus is on the e-Government development programme for the next three years.

In July 2019, the construction of a data centre in Kragujevac has started. The goal of the project is the centralization of all relevant data in order to simplify activities in the field of e-Government digitalization. There are also plans to create a metaregister and a catalogue of all services.

The secondary benefit of this data centre could be the renting of infrastructure and content to corporations, which would be an excellent way of monetization and a source of funding for further improvements of the centre.

The key remaining challenges are the creation of a register of citizens and a register of addresses. Also, the eGovernment portal has not yet been optimized for mobile phones and tablets.

In June 2019, the Protocol on Cooperation, "e-Serbia," was signed between the Serbian Government and the National Bank of Serbia (NBS), with the aim of further improving digitalization in Serbia. The protocol also aims to achieve a better quality of services for citizens. The signing of the protocol was an important precondition for activities that would enable a more comprehensive digitalization in Serbia.

POSITIVE DEVELOPMENTS

The adoption of the new Trade Law and amendments to the Law on e-Commerce are positive signs towards a further development of e-commerce as a new business model which has introduced the electronic store, the electronic platform and dropshipping.

Over the recent period, the implementation of the Law on e-Document, Electronic Identification, and Trust Services in e-Commerce, which transposed the EU's eIDAS regulation into Serbia's legislation, has produced tangible results. For the first time, the law explicitly states that an electronic document is equivalent to a written document. Although most other laws require written form as a condition of legal validity, now we have a legal basis to interpret written form as always implying electronic form as well. Also, the law directly enables the conversion of paper documents into electronic form, and vice versa. Concerning the administration's resistance, the most frequent complaint is that representatives of the state administration do not recognize e-documents as legally valid and always require paper form, even though this is not necessary. Therefore, the Law's final provisions, which stipulate that a civil servant challenging the validity of an electronic document or signature is committing a misdemeanour and envisage appropriate penalties, are very important.

Concerning the by-laws that ensure a full implementation of this Law, sixteen have been passed, and they regulate common criteria applicable to trust services, and technical standards for qualified electronic signature creation devices. The working group should be given credit for making a breakthrough and preparing draft documents on e-archiving, even though these are yet to be passed by the EU.

Amendments to the Law on Foreign Exchange Operations have brought some progress in the e-payment segment. Among others, receipt of foreign currency donations for humanitarian purposes was made possible via online payment services, such as PayPal. Some major progress has been registered in the online software sale segment, which has now been included in the list of exemptions from the rule that only RSD payments are acceptable, also including mutual transactions between residents. Thus, domestic IT companies were enabled to display prices in foreign currency and sell their services without fear of committing a violation if the buyer is a resident of Serbia.

Still, although this exception is limited to software and digital services only, liberalization has yet to be fully implemented. Citizens can make payments with payment cards or with a domestic e-money institution (although several years have passed since the adoption of the Law on Payment Services, there is only one such institution in Serbia), but not with the best-known global services such as PayPal or Skrill.

In October 2018, an instant payment system operated by the NBS started working - IPS NBS system. As participants in this system, banks have enabled their customers to transfer money in RSD in the branches, whereby the transaction is immediately realized.

Users can perform real-time transactions 24/7/365, up to the amount of RSD 300,000 per transaction. The banks have also enabled the instant payment option on their digital channels.

Additional channels for instant payment were introduced in the second phase of this national project, by using the QR code. Users (individuals and legal entities) will be able to make payments at selling point by generating a QR code in a mobile application to be scanned by the trader. This also includes payment at points of sale (POS) and e-stores and paying bills by scanning a QR code displayed on a POS terminal, mobile merchant application, e-store or publisher accounts.

The Law on e-Government was adopted in April 2018, as an umbrella regulation to uniformly regulate terms and conditions for the use of information technologies (IT) by the public administration, both at the state and at the local government level. The purpose of the Law is to enable interoperability between all systems used by the public administration, to ensure automatic data exchange

between publicly owned databases and make optimum use of IT equipment and infrastructure. It regulates two main areas: use of public ICT infrastructure, including data registers, and administrative procedures conducted in electronic form.

The Law is expected to stimulate electronic communications between citizens and the administration, prevent the practice of individual institutions developing their own systems, incompatible with others, and prevent the administration from requesting citizens to file data it already has in its records.

Major progress has been made in the domain of electronic payments on the eGovernment portal, where card payments are enabled, so now, for example, vehicle registration can be paid in this way. Payment by payment card as well as the integration with the electronic services of individual banks for services on the eGovernment portal is a significant improvement. In this way, one of the basic assumptions of the electronic administration has been realized, because it is not possible to obtain some of the most important services without electronic payments, whereas switching to physical payment channels had defeated the purpose and eliminated the advantages of electronic services in the past.

In January 2019, the information system e-Inspector was introduced with four pilot inspections. The goal of this system is to digitalize all 41 inspectorates in the Republic of Serbia in order to coordinate inspections better, to automate the work of inspectorates and better control their efficiency. Also, the "e-Kindergarten" service has been enabled.

Activities to develop an electronic register of education, which will contain all available data and will review information on the institutions, staff and educational profiles, will also provide the possibility of further analyzing and developing new educational programs, as well as monitoring the employment of graduated students.

The Law on Protection of Financial Service Users in at Distance Contracting was adopted in June 2018. This Law for the first time transparently mentions two-factor authentications (2F) referring to on-distance contracting for contracts in the value up to RSD 600,000 without the use of the user's qualified electronic signature, if the user has agreed to conclude the contract using at least two elements ("One Time Password").

This Law brought innovation to the financial market. However, when the Law was adopted there was still no regula-

tion on the identification of the user at distance, therefore it could only be applied to existing users.

The Law on Prevention of Money Laundering and Financing of Terrorism regulates user identification in establishing each business relationship with entities which are subject to this Law. The identification process is done in direct contact with the client, which prevents any digital contracting process. Bearing in mind this obstacle, the NBS adopted a Decision in March 2019 to regulate the identification of users remotely (the Decision on the Conditions and Manner of Establishing and Verifying the Identity of Individuals Using Electronic Communications). With the adoption of this Decision, Serbia became one of the few countries in the region to regulate this area and provide legal preconditions for purchasing financial services from home.

NBS enabled video identification, signing a contract through two-factor authentication, and instant payment. This created the conditions for crediting, as well as other banking services to be offered by electronic means. The remaining point is how to get a bill of exchange which must be signed, as collateral and as a compulsory and integral part of a client's credit file. Bill of exchange as collateral in paper form is issued by the Institute for Manufacturing Banknotes and Coins. Digitization of the bill of exchange is not important only from the aspect of banking business, but also for the economy in general.

In the previous period progress has been made in the use of the e-ZUP information system by the state and local government authorities for electronic data exchange.

REMAINING ISSUES

Although certain progress was made in 2018 by adopting the Law on Protection of Financial Service Users in Distance Contracting, the initial great expectations concerning the basic, medium, and high-level security electronic schemes, envisaged under the e-business legislation, have yet to be met. This is due to the fact that the EU's regulations and technical standards, on which Serbia's decree on terms for electronic identification schemes with specific security levels is to be modelled, sets rigid terms for the high-level scheme, which, therefore, will not be more flexible compared to the qualified electronic signature. On the other hand, we can expect that the basic-level scheme will not require physical presence and producing an ID for user identification at the time the scheme is issued,

and that user identification will be performed electronically. It remains to be seen what kind of solution will be selected for the medium-level security scheme.

Regarding the digital agenda of the Serbian Government, the remaining step is the establishment of a national register of citizens and a register of address. The register of business entities exists within the Serbian Business Registers Agency (SBRA), and it is expected that registers will be developed also for individuals in the way to allow connecting with other state institutions.

The Digital Committee proposes user education to demystify digital operations. Users should be certain that digital operations are transparent, that their data is secure, and that they can access their data at any time. It is also necessary to provide training and guidance for users, and to instruct them how they can exercise their rights in electronic purchasing.

Besides that, users should be instructed on how data they provide in remote operations will be used, and why, and what benefits they can derive from digital operations. Educational activities should be simple and use language that can be understood by users with an average level of education. Privacy, security, and simplicity should be at the core of educational activities.

Confrontations between taxi drivers and the CAR:GO app continue. There is no single approach to problems that arise as a result of the digital disruption of existing business models. Even though this case is very similar to what transpired with apps such as Viber and WhatsApp and mobile providers' services, or with hotels and short-term house-sharing platforms such as Airbnb, all these cases are viewed as individual phenomena. It is necessary to develop a single approach that will strike a balance between the development of innovative business models and the protection of the state's fiscal interests, also bearing in mind that models for which there is no single approach yet are changing and developing in order to satisfy users' needs.

Also, the Government portal is not optimized for mobile devices yet and there has been no progress in this direction so far.

The remaining challenge is to strengthen the focus of the e-Government on citizens, that is on "running errands from home," since the bulk of initiatives and activities aimed at optimizing the procedures within the state authorities so they would last shorter and citizens would be able to complete their administrative errands much faster, are still at counters.

FIC RECOMMENDATIONS

- Following a discussion between the state and businesses, formulate a single approach to regulating relations between traditional and digital business models, considering the needs of the digital economy development and the state's fiscal interests.
- It is important to facilitate the use of digital identity/signature so that it may reach the widest possible circle of citizens without high cost and in a simple way.
- In order to emphasize the reliability and easiness of digital signature usage and with the goal of expanding its use, citizens should be informed through educational campaigns about all the possibilities, rights and benefits from this type of channel.
- Electronic payments should be promoted on three levels: automatic recording of citizens' payments by the public administration, based on taxes and fees, without the need to file hard copy evidence and by allowing transactions between residents and through foreign services, such as PayPal.
- It is necessary to regulate the "digital bill of exchange" in order to be registered in a single registry of bills of exchange, signed in electronic form.