

ILLICIT TRADE PREVENTION AND INSPECTION OVERSIGHT

CURRENT SITUATION

Activities of state institutions towards improving the system of illicit trade control have continued in the past period as well, with the adoption of and application of measures of the new Action Plan for the implementation of the National Programme for Countering the Shadow Economy for 2019-2021. Additionally, continuous work of the Coordination Commission for inspection oversight as an umbrella institution, operational activities of the Support Unit of the Coordination Commission on the inspection oversight modernization and effective implementation of the Law on Inspection Oversight as well as of the Working Group for Combatting Illegal Trade within the Coordination Commission in control of specific sectors and products resulted in preparation and implementation of a number of measures that have contributed to the more efficient control of illegal trade in 2019 and 2020. Inspection and control bodies made a significant contribution to suppression of illegal trade through their activities and engagement in the field, although constrained with material and personnel issues.

COVID-19

Due to the COVID-19 epidemic and imposed restrictions on movement in the country as well as abroad, implementation of measures for further improvement of inspections oversight system have justifiably slowed down. On the other hand, control authorities were under lower pressure. However, the abolition of movement restrictions and resumption of trade have returned the focus on the need for efficient control.

Since the initial closure of borders and resulting confusion in transport, analogously with the new measures of European Commission members of CEFTA have adopted the system of "Green Corridors" in order to speed-up cross-border trade. Within the "Green Corridors" system, each country has designated border crossings for transport of goods with customs and inspections available 24 hours. Furthermore, list of priority goods for swift crossing of border crossing was adopted and a system for announcing trucks with priority goods has been introduced in order to simplify all import-export procedures.

In accordance with previous plans and soon after the COVID-19 epidemic was declared in the country, a contact center for submission of reports to inspections was established. Since a number of measures and restrictions were imposed during

the epidemic, instead of center's planned focus on measures for economy and citizens, work was shifted on the measures to combat the epidemic and control the prices of products of importance (food, medical supplies, etc.)

POSITIVE DEVELOPMENTS

As previously mentioned, in 2019 a new Action Plan for the implementation of the National Programme for Countering the Shadow Economy for 2019-2021 was adopted. From the prescribed measures for inspections oversight system modernization, a Functional analysis of capacities of state inspections was prepared, identifying a clear need for new employment of inspectors and paving a way for the adoption in 2019 of a three-year Action plan for inspector employment. The plan envisions an engagement of additional 1.272 inspectors by the end of 2021, in addition to the currently employed 2.400 state inspectors. The use of E-Inspektor information system has also expanded for the use of majority state inspections, from the initial four. By using E-Inspektor IT solution, acceleration and greater transparency of inspection controls is expected.

Cooperation between misdemeanor courts and inspections was enhanced due to intensifying mutual trainings and connecting their databases. Additionally, specialization of courts for misdemeanor proceeding is underway, which should contribute to the more efficient punishment of offenses and strengthen the preventive role of inspections in the economy.

Usage of mobile applications for instant payment for goods and services using the IPS QR code was enabled, allowing customers to pay for purchased goods and services safely and fast, and thus accelerating the increase the level of non-cash payments in the country.

REMAINING ISSUES

It should be noted that the Law on Inspection Oversight has not yet been fully implemented in the area of harmonizing sectoral laws with the umbrella law, although the Government of Serbia has adopted a Conclusion envisaging the harmonization of 78 laws with the Law on Inspection Oversight.

It is necessary to continue with the improvements of personnel and technical capacities of inspections, further increases in inspectors' salaries, creating and adequate

performance appraisal system and provide the necessary equipment.

Although there are certain improvements in the judicial area of penalizing illicit trade, given the complexity of this subject, a further specialization of misdemeanor courts should be continued.

Even though the Guidelines on development and reporting of action plans (flowcharts) have been adopted, a system of reporting on the implementation of adopted flowcharts for control of illegal trade of specific sectors and goods has not been fully implemented.

Regarding the further regulation of the parafiscal area, an electronic registry and a portal listing applicable fees for the use of public resources was not established.

An efficient system for storing seized goods was also not introduced in the past period. The consequence is a limitation of inspection bodies' activities due to insufficient storage capacities available to them. On the other hand, companies have additional capacities, which could be utilized for this purpose using adequate procedures.

With the aim of stimulating an increase of transaction in

the economy, we believe that the introduction of a new payment system using online fiscal registers would be of great assistance.

Apart from above mentioned problems in control of illicit trade, we would like to emphasize the importance of efficient import and export procedures since the complexity of these also affects the decision of companies on how to place purchased od manufactured goods. In order to simplify trade procedures, companies are facing a great number of difficulties arising partly from procedures in the country and partly due to non-customs barriers abroad. Regarding the problems with Serbia, companies are faced with an uneven treatment on border customs offices, uneven practice for issuing certificate of origin due to non-recognition of productions inputs, insisting on paper documents due to the lack of electronic systems connectivity between customs and inspections, slowdown of imports/exports due to installation and removal of electronic truck locators, non-efficient railway transport, complicated river-shipping procedures, etc. Moreover, non-customs barriers between the countries include non-recognition of quality of goods certificates between Republic of Serbia and other countries, inefficient border import procedures in the neighbouring countries as well as the need to harmonize technical regulations and standards for transportation vehicles.

FIC RECOMMENDATIONS

- Continue with the implementation of the National Programme for Countering the Shadow Economy and its associated Action Plan for 2019/2020. (3)
- Prescribe and implement a prompt and effective procedure of regulating the storage of seized goods between the public and private sector. (3)
- Improve import and export procedures. (3)
- In order to increase the efficiency of the punishment system in the field of illicit trade, introduce the specialization of judges for misdemeanor offences in business. (2)
- Improve the level of fiscal burden on businesses operating in the Republic of Serbia with further regulation of parafiscal charges by creating a registry of fees payable by businesses. (2)
- Create a system of reporting on measures and effects of flowcharts, and continue with the adoption of a new flowchart for the control of LPG as well as other products of interest. (1)
- Introduce online fiscal cash registers. (1)