

ILLICIT TRADE AND INSPECTION CONTROL

2.00

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Continue with the implementation of the National Programme for Countering the Gray Economy and its associated Action Plan for 2019/2020.	2019	√		
Prescribe and implement a prompt and effective procedure of regulating the storage of seized goods between the public and private sector.	2019			√
Improve import and export procedures.	2020		√	
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.	2019		√	
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.	2018			√
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.	2020		√	
Introduce online fiscal cash registers.	2019	√		

CURRENT SITUATION

The COVID-19 epidemic and its socio-economic consequences marked the year 2020, with a slowdown in economic activity and in the volume of trade in the Republic of Serbia as well as in the region and the world. Consequently, the focus of state bodies and businesses was primarily on protecting the health of the population and preserving economic activity.

Apart from the measures introduced by state bodies to tackle the COVID-19 epidemic, we would like to mention continued efforts towards institutional improvements to the business environment and the system of illicit trade controls, especially in the second half of 2020 and in 2021.

POSITIVE DEVELOPMENTS

The end of March 2020 saw the opening of the Unified Contact Center for reporting illegalities to national inspection authorities followed by the expansion of its functionality through its tie-in with local government inspections in October. The contact center helped significantly simplify the procedure for citizen petition submission.

Checklists and inspection forms are published on www.inspektor.gov.rs. Inspections are carried out in accordance with the above documents and their availability provides businesses with a simplified access to information on the requirements for operating a business in accordance with regulations.

In 2021, the Government of the Republic of Serbia formed a new Coordination Body for the Suppression of the Grey Economy. The Coordination Body decided to start drafting a National Program for the Suppression of the Grey Economy for 2021-2025. The development of the program is planned to involve representatives of the economy, citizens and the non-governmental sector with the aim of identifying priorities and adequate measures to combat illicit trade in the country.

The Coordination Commission for Inspection Supervision within the Ministry of Public Administration and Local Self-Government have continued their activity following a new election at the end of 2020.

The Law on Fiscalization was passed at the end of 2020 and the Law on Electronic Invoicing in 2021, with both envisioning the use of modern technologies for the purpose of digitalization of transaction recording, electronic exchange of invoices and a simpler and more efficient control by state bodies. Phased implementation of these regulations is planned to start on 1st of January 2022, while the preparation of bylaws is in progress. With the full enforcement of these regulations, positive effects are expected in reducing the scale of illicit trade.

Regarding improvements to import and export procedures, we would like to mention that UNECE (United Nations Economic Commission for Europe) has prepared a study entitled "Regulatory and Procedural Barriers to Trade in Serbia" which was officially presented in July of 2021 ([Regulatory and Pro-](#)

[cedural Barriers to Trade in Serbia: Needs Assessment \(ECE/TRADE/460\) | UNECE](#)). The study was prepared in cooperation with representatives of the Serbian economy and contains numerous recommendations for improving the subject procedures. Additionally, the implementation of the World Bank's Western Balkans Trade and Transport Facilitation Program with the application of a Multiphase Programmatic Approach is underway, where we would like to highlight the subcomponent of the project "National One-stop Shop (NOSS)". The implementation of NOSS is aimed at providing businesses with a possibility to electronically submit to and receive from state bodies all documents that are necessary for performing foreign trade activities through a single portal. It was estimated that NOSS could start operating within a framework of three years, given that the implementation requires extensive activities in order to identify and provide necessary infrastructure and adequate software solution.

REMAINING PROBLEMS

Due to objective reasons (the outbreak of the COVID-19 epidemic), the implementation of the recommendations from the National Program for the Suppression of the Grey Economy for the period 2019-2020 has slowed down.

As part of further improvements to the e-Inspector software functionalities, we would like to emphasize the importance

of the announced tie-in with the Unified Contact Center for reporting illegalities to inspection authorities.

Activities to ensure an adequate number of new inspectors and necessary equipment, as well as to improve the performance appraisal system in order to increase efficiency and earnings of inspectors, should remain among top priorities.

A public electronic register and portal with valid fees and charges, as one of the important elements of predictability of the business environment, have not been implemented either.

A reporting system for the results of the implementation of adopted flowcharts for controls of illicit trade in certain sectors/goods has not been finalized yet, and no data on the outcome of such controls is available to stakeholders.

One of the most important preventive measures is setting up an adequate system of penalties for illicit trade so further improvements are needed regarding the efficiency of communication between control bodies and courts, as well as further specialization of commercial courts.

Having in mind the estimated scope of activities and the goal of simplifying the import and export procedures, it is recommended that the state authorities should keep this topic among the priorities.

FIC RECOMMENDATIONS

- Adopting the National Program for the Suppression of the Grey Economy for the period 2021-2025 and the accompanying Action Plan for the implementation of this program.
- Continuing with activities to improve the inspection oversight system.
- Introducing specialization of judges for misdemeanor offences in business in order to increase the efficiency of the illicit trade penal system.
- Improving the system of fiscal burden for companies operating in the Republic of Serbia by creating a register of applicable fees, in order to further control parafiscal levies.
- Establishing a system of reporting on the measures and effects of Action Plans (flowcharts), while communicating the results of controls to stakeholders from the economy.
- Establishing and implementing a fast and efficient procedure for regulating the storage of seized goods between the public and private sectors.
- Maintaining the continuity of the process of improving import and export procedures.