

INFRASTRUCTURE

ENERGY SECTOR

2.50

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Electricity				
Regulation of electricity prices to be abandoned (but vulnerable customers to be protected), allowing new investments in the modernisation and revitalisation of coal and electricity production.	2016		√	
Intra-day market to be introduced.	2020		√	
Consider introducing carbon pricing instruments.	2020		√	
Prescribe targeted energy savings, as required by Directive 2012/27/EC and its amendment 2018/2002/EC. The preparation of proposals for the revision of energy efficiency targets in terms of their increase is underway. It is also necessary to anticipate the reduction of "specific consumption" of energy, i.e. consumption per unit of product.	2021	√		
Introduce grid connection reservation security mechanism e.g. bank guarantee or cash collateral by developers in order to avoid existing grid queues holding up capacity	2020	√		
Renewables				
Bylaws which will regulate the incentives in more detail should be tailored to accelerate investments in the renewables sector and follow the EBRD and Energy Community policy guidelines.	2021	√		
Energy Efficiency				
Adoption of a functional model contract to govern energy supply contracting.	2017	√		
Improvement of capacities of the PPP Commission and other notable public stakeholders with respect to both energy performance contracting and energy supply contracting projects involving the public and private sectors.	2017		√	

CURRENT SITUATION

Electricity

The legal framework for electricity in Serbia is set out under the 2014 Energy Law, with the latest amendments adopted in 2021, which for the most part transposes the European Union's (EU) Third Energy Package.

The main authorities responsible for this sector are: (i) the Serbian Government; (ii) the Ministry of Mining and Energy (the "Ministry of Energy"); and (iii) the Energy Agency.

State-owned enterprises Elektromreža Srbije (EMS), Elektroprivreda Srbije (EPS) and EPS Distribution, company that was finally separated from EPS in the end of 2020, remain

the dominant players in the sector. EMS is the transmission system operator. EPS is engaged in the production, wholesale and supply of electricity. EPS's ex subsidiary EPS Distribucija carries out the distribution and operates the distribution system.

The electricity market is fully liberalized on paper. Households and small consumers remain, for the time being, entitled to opt to be supplied under regulated prices (unlike other consumers which do not have the right to regulated prices). There is an intention to phase out the regulated supply of electricity, but the Energy Agency has taken the position that there is still a need for the regulation of electricity prices. On the other hand, the Energy Agency has allowed an increase of regulated prices - starting from the

latest increase was in December 2020. The experts agree that this increase is insufficient and that new increases should be expected.

Despite the liberalisation, EPS remains the single most dominant supplier with around 98% of market participation.

The day-ahead market is operated by the joint-stock company South East European Power Exchange (SEEPEX). SEEPEX has not yet introduced intra-day market, however, they are actively working on it, and according to the announcements, it can be expected that it will be introduced during 2022.

Renewables

In April 2021, the Law on the Use of Renewable Energy Sources was adopted, which separated issues related to incentive measures for the production of electricity using renewable energy sources from the Law on Energy, that are now regulated by a separate law, until the end of 2021 and during 2022 several bylaws have been adopted, which regulate in more detail the procedure of obtaining the right on the market fee and the feed-in tariff, the content of the agreement on the market premium, the quotas on the wind farms, the status and the way of managing of the registry of the customers - manufacturers

Incentives are provided in the form of a market premium system and feed-in tariffs (only for small facilities). Both systems will be implemented through an auction process and refer to the price of electricity, taking on balance responsibility and the right to priority access to the system. In the premium system, the authorized contracting party will not purchase electricity, but will pay the premium if the realized price at the auction is higher than the reference market price (prices on the SEEPEX day-ahead market). Also, for an energy entity that produces electricity from renewable sources and which does not have the status of a temporary privileged producer in terms of market premium system, or the status of a privileged producer in terms of feed-in tariff, the possibility of obtaining a guarantee of origin and status of producer of electricity from renewable sources energy is envisaged.

By replacing the old system that rewarded everyone by order and introducing auctions, it will be possible to attract a new cycle of investments and achieve a competitive price for the purchase of electricity. As the bylaws that regulate the conditions and the procedure of obtaining the right for

the incentives in detail have been adopted, it is expected that the first auctions will be organised by the end of 2022.

In order to harmonize the national regulations of the Republic of Serbia with the legal framework of European Union, the Law on RES introduces the status of consumer-producer for the first time. The consumer-producer is defined in the RES Law as the final customer who has connected his own facility for production of electricity from RES to the internal installations, whereby the produced electricity is used to supply own consumption, and the surplus produced electricity is delivered to the transmission system, distribution system, i.e. closed distribution system.

The “guaranteed supplier” (i.e. EPS) assumes balance responsibility for RES producers. Support is provided for the allowed percentage of balance deviation, which will be regulated by a bylaw. Balancing support for RES producers will exist until the establishment of an organized intra-day electricity market, as determined by the Energy Agency of the Republic of Serbia.

The Law on RES also introduces the concept of strategic partnership and provides the possibility of conducting a public call for the construction of power plants that produce energy from RES through the selection of a strategic partner. The Government may determine that the construction of a power plant using RES is a project of importance for the Republic of Serbia in terms of the law governing the construction of facilities, except for power plants in protected areas.

In order to reduce the use of fossil fuels and dependence on fuel imports, the Law on RES defines the status of biofuels, bio liquids and fuels from biomass. In the event that biofuels, bio liquids and biomass fuels that are not produced from waste meet the sustainability criteria and achieve savings in greenhouse gas emissions, energy produced from these fuels can be: a) taken into consideration for the purposes of calculating the share of energy from RES in gross final energy consumption and final energy consumption in all forms of transport (including fulfilment of obligations of fuel suppliers to achieve the share of RES), and b) subject to financial incentives, in accordance with the Law on RES, incentives for the use of innovative technologies and new sources of RE, such as renewable hydrogen, and incentives for the production of “advanced” biofuels). Regarding the use of RES in transport, the Law on RES determines for the first time the use of electricity from RES in the transport

sector, as well as the use of “green” hydrogen.

Energy Efficiency

In April 2021, a new Law on Energy Efficiency and Rational Use of Energy was adopted, the aim of which is to create a legal framework for measures that will increase the efficiency of use of energy and reduce energy consumption. The law upgraded the existing basis of the Law on Efficient Use of Energy with new energy policy goals whose foundations were established by European Union regulations (amended Energy Efficiency Directive and Directive on Energy Performance of Buildings, Directive on Eco-Design and relevant EC Regulations).

A Directorate for Financing and Encouraging Energy Efficiency within the Ministry of Mining and Energy, the purpose of which is to provide funds to meet the objectives of the law, and two new regulations have been brought which regulate the financing of the measures for upgrading the energy efficiency and using the resources for the appliance of the measures of energy efficiency

Similarly, as the previous law, it explicitly defines the energy services company (ESCO) and sets rules for energy performance contracting in line with the EU acquis, with the aim to provide a comprehensive legal framework for energy efficiency arrangements.

To enable the implementation of these general possibilities, the Rulebook on Model Energy Service Contracts for the Implementation of Energy Efficiency when Users are from the Public Sector (ESCO By-Law) was adopted in May 2015.

The ESCO By-Law prescribes two models of ESCO agreements, one for public buildings and one for public lighting. It requires public-private partnerships (PPP) to be established between the relevant public partner (e.g. a municipality, a public company, the state) and the relevant private partner (i.e. an ESCO company) on a long-term basis.

The energy efficiency market is still developing. Energy performance contracting (EnPC) projects in the area of public lighting have been initiated in a significant number of local municipalities,.

The energy supply contracting (ESC) has also started functioning recently, primarily with public sector facilities such as schools and hospitals being the main point of interest.

The most notable difference between ESC and EnPC is in that EnPC implies backing the project with guaranteed savings, unlike the ESC, which focuses on a renewed arrangement regarding energy supply where the private partner guarantees the continuous provision of a certain minimum amount of energy. It is expected that, once the ESC model is regulated too, a much needed certainty will be brought into the sector, allowing for successful cooperation between the public and private sectors.

The energy efficiency of buildings is dealt with in a special chapter which prescribes obligations for publicly owned buildings, new buildings and buildings used for non-residential purposes. Publicly owned buildings with a total usable area of more than 250 m² used by state administration bodies and other bodies and organizations of the public sector as well as public services are required to have a certificate of energy performance, and for buildings used by central government the obligation of energy rehabilitation. The obligations of investors in new buildings have also been specified with regards to the equipment with devices for regulation and measurement of the delivered amount of thermal energy, where there is also domestic hot water.

POSITIVE DEVELOPMENTS

Electricity

SEEPEX membership grew to 27 members.

Renewables

The legal framework for a new package of incentive measures for the production of electricity from renewable energy sources has been adopted, that envisages a competitive process for awarding incentives. The adoption of a completely new law indicates giving priority to sustainable production of electricity from renewable energy sources, which is extremely important in the long run in order to avoid paying high fees for the production of CO₂ emissions that will increase in the European Union in the upcoming years.

Several bylaws have been adopted:

- Decree on market premium and feed-in tariff adopted by the Serbian government („Official Gazette of the RS“ br.112/2021);
- Decree on the model of the agreement on the market

- premium („Official Gazette of the RS“.br.112/2021);
- Regulation on the quota in the market premium system for wind power plants (“Official Gazette No. 107/2021”)
- Decree on the criteria, conditions and way of calculating the receivables and payables between the customers-manufacturers and the supplier („Official Gazette of the RS“.br.83/2021 and 74/2022);
- Rulebook on the means of managing the registry of customers-manufacturers that are connected to the movable, distributive, enclosed system and methodology of assessment of the manufactured electric energy in the manufacturing facility of the customer-manufacturer („Official Gazette of the RS“.br.33/2021);

The Decree on the Conditions, Manner and Procedure Of Giving State-Owned Agricultural Land for Use for Non-Agricultural Purposes was adopted, which prescribes exceptions when it is possible to use state-owned agricultural land for non-agricultural purposes, in accordance with the Law on Agricultural Land. This decree enables a construction of facilities for production of energy using renewable energy sources of wind and sun even on agricultural land, which creates an even more favourable environment for investors.

A strategy for the development of the energy sector of the Republic of Serbia is being developed and a draft of integrated energy and climate plan has been presented for public (expected to be adopted by the end of 2022), whereas these strategic documents are expected to solve the issue of introducing a CO2 tax.

A new Regulation on energy vulnerable customers is also being prepared, which will be the basis for moving away from price regulation, and an additional boost for energy transition, decarbonization and the development of renewable energy production. In addition to aiding in the procurement of electricity and gas, energy vulnerable customers in the field of heat supply will also be provided.

Energy Efficiency

A new Law on Energy Efficiency and Rational Use of Energy has been adopted.

With the adoption of the new Law on Energy Efficiency and Rational Use of Energy, the Ministry of Mining and Energy

has also started work on the adoption of by-legal acts relating to the model of energy supply contracts. For these purposes, support is provided by the Regional Energy Efficiency Programme implemented by the EBRD and the Energy Community.

A review of the Energy Effect Contract Model (EnPC) is underway based on comments from representatives of ESKO companies, banks and local self-government units who have experience in implementing such projects. It is actively working on the preparation of a Model Energy Efficiency Contract (ESC) to increase investment in energy efficiency and enable the transition to renewable fuels or low-emission greenhouse gas fuels, taking into account the public sector interest.

Experience with energy performance contracts has shown that the contract model has contributed to the development of the market and provided guidance and certainty for the public sector to use this innovative way to attract private investment in energy efficiency in the public sector.

REMAINING ISSUES

Electricity

Coal remains dominant resource for electricity generation – more than 70% of annual production comes from the coal-fired power plants.

Coal mines are in a relatively poor shape and in need of extensive modernisation in order to meet demand. Some major thermal power facilities will also need to be phased out or overhauled. It is not clear whether Serbia will have enough funds for these investments.

It can often be heard that an electricity price increase in Serbia would be justified, but vulnerable customers must be protected.

Renewables

In addition to the adopted base law and by-laws, it is necessary to adopt remaining needed bylaws, among others on balance responsibility, on the basis of which tenders will be announced, investors will be attracted and, consequently, facilities for production of electric energy from renewables will be built.

In addition to the adopted by-laws, a work is underway on

five more bylaws that should complete the legal framework in the sphere of renewable energy sources.

The Decree on the Conditions, Manner and Procedure Of Giving State-Owned Agricultural Land for Use for Non-Agricultural Purposes was adopted, but it is limited only to agricultural land of 6, 7 and 8 classes.

Energy Efficiency

As to energy performance contracting (EnPC), apart from the need to have consistent practices in the formal preparation of projects fully in line with the ESCO By-Law and the PPP legislation, the challenges ahead also include the need to reduce subsidies, which keep energy prices on an regulated level, and to introduce further sector-specific incentives for energy efficiency projects in the relevant regulations (notably, real estate and tax-related regulations) as well as the need to further raise financiers' awareness of the practical feasibility of ESCO projects.

As to energy supply contracting (ESC), the adoption of a model contract by the relevant authority (i.e. the Ministry

of Mining and Energy) The public sector is still overly careful in considering prospective projects,. This specifically relates to an absence of understanding of public budgeting procedures, with some important projects involving hospitals and schools in Serbia still lagging behind as a result thereof.

The challenges ahead relating to both EnPC and ESC arrangements remain the same and require continuous work:

- capacities of the PPP Commission to be improved (including better understanding of EnPC and ESC projects' specifics);
- sharing of knowledge and existing know-how among various public entities to be strengthened and supported (especially in the case of minor Serbian municipalities);
- practical implementation of the rules relevant to determining the value of projects that are PPP-specific and of the rules of public budgeting needs to be improved, and the capacities of the public sector to be strengthened.

FIC RECOMMENDATIONS

Electricity

- Regulation of electricity prices to be abandoned (but vulnerable customers to be protected), allowing new investments in the modernisation and revitalisation of coal and electricity production.
- Intra-day market to be introduced.
- Consider introducing carbon pricing instruments.
- Prescribe targeted energy savings, as required by Directive 2012/27/EC and its amendment 2018/2002/EC. The preparation of proposals for the revision of energy efficiency targets in terms of their increase is underway. It is also necessary to anticipate the reduction of "specific consumption" of energy, i.e. consumption per unit of product.
- Introduce grid connection reservation security mechanism e.g. bank guarantee or cash collateral by developers in order to avoid existing grid queues holding up capacity;
- The regulations concerning the calculation of the VAT on invoices for prosumers should be amended.

Renewables

- Bylaws which will regulate the incentives in more detail should be tailored to accelerate investments in the renewables sector and follow the EBRD and Energy Community policy guidelines.

- Adjust the regulations and methodology for determining the maximum purchase price on auctions in order to reflect the effects of the market value of the electricity power.

Energy Efficiency

- Adoption of a functional model contract to govern energy supply contracting.
- Improvement of capacities of the PPP Commission and other notable public stakeholders with respect to both energy performance contracting and energy supply contracting projects involving the public and private sectors.

TELECOMMUNICATIONS

1.57

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Joint cooperation between the state and industry in choosing the model and period of public bidding for radio frequency spectrum intended for the development of 5G technology - operators propose and advocate a simple auction model to sell the bands that are most needed from the perspective of technologies used and market demands, at a price that will enable the smooth development of new technology and its rapid implementation, in accordance with positive examples from the neighboring countries.	2021			√
Adoption of the new Law on Electronic Communications and adoption of key bylaws for further market development within the shortest possible period of time. The new law is expected to bring significant progress in the digitization of the process of using telecommunications services, especially regarding the conclusion of contracts and invoicing in digital form.	2021			√
Adoption of the new Law on Broadband Infrastructure (harmonized with Directive 2014/61 / EU on measures to reduce the cost of deploying high-speed electronic communications networks, as well as with Directive 2018/1972 on the European Electronic Communications Code) and Directive 2014/61 / EU on measures to reduce the cost of deploying high-speed electronic communications networks, which will define in detail the rights to use and access the infrastructure.	2021			√
Lifting of formal licenses for the use of radio frequencies within the licensed radio frequency spectrum (acquired through public bidding) relating to the fee for the issuance and renewal of an individual license for the use of radio frequencies for a radio base station in a particular electronic communications service.	2021			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
<p>Improvement of regulations and their interpretation in the field of construction of radio base stations and protection against non-ionizing radiation:</p> <ul style="list-style-type: none"> a. Issuance of guidelines to local self-governments by the Ministry of Environmental Protection would contribute to the cessation of excessive reference and arbitrary interpretation of the principle of prohibition of exposure to non-ionizing radiation sources and the principle of proportionality referred to in the Law on Non-Ionizing Radiation Protection by local environmental secretariats; b. In cooperation with the Ministry of construction and infrastructure and Ministry of State Administration and Local Self-Government, it is necessary to provide education to departments in local self-governments, in order to remove spatial restrictions for the construction and installation of mobile telecommunications infrastructure; c. In accordance with the comparative practice of developed EU countries such as Germany and Finland and countries in the region (e.g. Croatia), we propose to exclude mobile telecommunications facilities from List 2 of the Regulation on establishing the List of Projects Requiring a Mandatory Impact Assessment and List of Projects that May Require an Environmental Impact Assessment, so that instead of making an environmental impact assessment for each individual base station, it would be sufficient to submit a notification on the installation of the base station together with the relevant measurement to the local self-government before its commissioning, where the local self-government has the possibility of inspection supervision. d. abolition of the term "sources of special interest", given that all sources require control measurement, so there is no reason to single out sources of special interest; e. abolition of restrictions for base stations (especially for the roof top type) from urban plans, in terms of the minimum required distance where base stations can be placed in relation to neighboring facilities, since there is no basis for this, neither scientifically nor in regulations which regulate the field of non-ionizing radiation protection. f. enable the transition from a complicated administrative system of issuing individual licenses for the use of radio frequencies for base stations to a system of recording (notification) through a single point of contact (so-called "single point of contact") in the form of a public portal under the jurisdiction of RATEL. 	2021			√
<p>When negotiating international agreements in the field of electronic communications, it is necessary to organize a process of public consultations and include industry representatives in order to consider the technical specifics, deadlines and financial implications, aimed at increasing business predictability.</p>	2019			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
More active role of the Government aimed at suppressing of conspiracy theories and false news about 5G technology in order to prevent attacks and disruption of critical telecommunications infrastructure necessary for the provision of basic electronic communications services such as voice and Internet access.	2020			√
Amend Article 37 of the Law on Consumer Protection and abolish the obligation of operators provided for in this article.	2021			√
Involve the Foreign Investors Council in consultations for drafting bylaws for the implementation of Article 37 of the Law on Consumer Protection.	2021	√		
Issuance of a positive opinion of the National Bank of Serbia on the provision of Direct Carrier Billing service according to the EU model, in order to enable direct payment of digital content from Google Play and Apple Store via telecommunications operators according to the EU model (using the billing model of the parking service).	2019			√
Adoption of the Rulebook on Number Portability for Services Provided via Public Mobile Communication Networks and the Rulebook on Number Portability in Public Telephone Networks at a Fixed Location within the shortest possible period of time after the adoption of the new Law on Electronic Communications.	2021		√	
During the negotiation of international agreements for the implementation of the RLAH+ regime in the Western Balkans region, the representatives of the operators should be consulted in a timely manner.	2021		√	

Performing business activities in 2022 was affected by the global crisis resulted from the third year of the COVID-19 pandemic caused by the SARS-CoV-2 virus as well as from the political and economic crisis in Europe due to the current events in Ukraine, which led to an increase in costs and a deterioration of business situation at the global level. Despite these aggravating circumstances, electronic communication operators have continued to improve the quality of their networks and the services they provide to their customers.

The elections were called at the beginning of the year and for most of it the Government was in a technical mandate with a reduced scope of activities, which also affected the reform agenda in the field of electronic communications.

The National Assembly of the Republic of Serbia adopted amendments to the Law on Ministries on October 22, 2022, which stipulates that the Ministry of Information and Telecommunications is responsible for the field of

telecommunications. The new government was formed on October 26, 2022 and Mihajlo Jovanović, PhD, was appointed the line minister.

CURRENT SITUATION

The improvement of the existing regulatory framework and its alignment with the needs of operators and customers, along with harmonization with the regulatory practice of the European Union is of key importance for the further development of the electronic communications market in the Republic of Serbia.

The Draft Law on Electronic Communications, after a public hearing conducted in the period from July 23 to August 23, 2021, in which electronic communication operators and the Foreign Investors Council took an active part, was not adopted as a Bill of law by the Government and did not enter the parliamentary procedure.

The activities that are a prerequisite for organizing the

radio-frequency spectrum auction for the implementation and development of 5G networks in the Republic of Serbia have been further postponed in 2022 as well.

The Foreign Investors Council expresses the expectation that the preparations for the auction and the auction itself will be carried out in a transparent and efficient manner in order to create the optimum conditions for sustainable construction and investment in 5G infrastructure throughout Serbia at the earliest possible time after the conclusion of the public bidding and obtaining of licenses.

The Council expects that in the future, a simple model of public bidding for radio-frequency spectrum intended for the development of 5G technology will be selected (rather than a combined auction that would include spectrum blocks of different bands), which will open up space for the necessary investments in network construction and the introduction of innovative business models.

During 2022, Ratel completed a new round of analyzes of markets that are subject to previous regulation, and in doing so the following market analyzes were performed:

1. Wholesale market for call termination in the public telephone network at a fixed location;
2. Wholesale market for call termination in the mobile network;
3. Wholesale market for local access to network elements provided at a fixed location,
4. Central access wholesale market provided at a fixed location for mass market products.

The expert group for reducing administrative barriers for installation of mobile radio base stations has started performing its activities. After a series of meetings, the members of this governmental body from the ranks of relevant ministries, local self-government, technical faculties, RATEL and electronic communication operators have not yet submitted a work report with a reform proposal to the Government. Based on the previous activities and dialogue with the institutions, there is no impression that the key decision-makers are willing to improve the conditions for setting up radio base stations for mobile telephony as a prerequisite for the implementation of 5G technology in the Republic of Serbia.

A new Rulebook on Number Portability for services provided via public mobile communication networks was adopted. The Rulebook was published in the "Official Gazette of the Republic of Serbia" No 13/2022 dated February 4, 2022, it entered into force on February 12, 2022, and is planned to be applied after the expiry of a six-month period from the date of its effectiveness. Meanwhile, the application of the rulebook was postponed for one-year period, hence its application will begin on August 1, 2023.

Ratel conducted public consultations on the Draft Rulebook on Number Portability for services provided through public fixed communication networks in March 2022. Rulebook on Number Portability for services provided via public communication networks at a fixed location was published in the "Official Gazette of the Republic of Serbia" No 101/22 dated September 14, 2022 that entered into force in 2013, and which begins to be applied as of August 1, 2023.

The Government adopted the Regulation on Amendments to the Regulation on Establishing the List of Devices and Objects and the Obligation to Pay Special Remuneration for the Use thereof to the Copyright and Related Rights Holders ("Official Gazette of the Republic of Serbia", No 49/2022) on April 24, 2022. After the adoption of the Regulation, the technical devices and objects for which there is an obligation to pay remuneration to the copyright and related rights holders include the following:

- devices with integrated hard disk (desktop computers, laptops, TV with hard disk, DVD player with recording capability and with hard disk, Blu-ray player with recording capability and with hard disk);
- tablets;
- smartphones.

In accordance with the above, mobile operators, as importers of devices that have been added to the List, have become liable to pay another levy that has a parafiscal character.

It should be noted that the amendments to the Regulation were made in a non-transparent manner, without participation and consultation with mobile operators and other relevant importers of equipment for which the obligation to pay a special remuneration is prescribed, which has a negative impact on the predictability of business on the market and the transparency of the process for defining the regulatory framework. Given that the amendment of the Regulation was brought about in a non-transparent manner, the

operators could present their cases only in the process of adopting the tariff, and that by directly addressing both the competent ministries and the Intellectual Property Office.

The Office for Information Technologies and Electronic Governance in 2022 continued its activities in terms of enabling the application of new technologies (such as a qualified electronic certificate and signature in the cloud) and digitization of state administration and the economy.

Pursuant to the Fiscalization Law ("Official Gazette of the Republic of Serbia", No 153/2020 and 96/2021), the transition to the new model of e-fiscalization took place on May 1, 2022, and it implies the use of a new hardware or software solution in which fiscal invoices are issued with a QR code. Mobile operators contributed to facilitating the transition of the economy to a new model of e-fiscalization by creating an offer of modern hardware and software solutions that enable business entities to operate in accordance with the new Fiscalization Law.

POSITIVE DEVELOPMENTS

Through the formation and activities of the Working Group for drafting the Law on Broadband Communication Infrastructure, a high degree of transparency and involvement of operators in the process of drafting the new law was ensured, and in this way it was possible for operators to contribute to the improvement of the legal framework, which will allow for a more efficient construction of electronic communication infrastructure that is necessary for the further digital transformation of the Republic of Serbia. Adoption of the Law on Broadband Infrastructure represents another step towards bringing closer and harmonizing business to European Union regulations, considering that this Law foresees, in one part, the harmonization of business with the Directive (2014/61/EU) on measures to reduce the costs of setting up high-speed electronic communication networks, as well as the Directive 2018/1972 establishing the European Electronic Communications Code.

The expert group for reducing administrative barriers for the installation of mobile radio base stations has started performing its activities and a series of meetings have been held. The Foreign Investors Council expects that the conclusions of the expert group will be implemented within the shortest possible period of time in order to create pre-conditions for the efficient construction of base stations necessary for the implementation of 5G technology.

In the new round of analysis of markets subject to previous regulation, which ended in 2022, it was determined that wholesale prices will be formed on the basis of the cost model (LRIC), which represents a significant improvement of conditions on the wholesale market.

The Foreign Investors Council welcomes the adoption of the new Rulebook on Number Portability for services provided through public mobile communication networks. The new Rulebook represents a significant improvement of regulations in this area and application thereof will ensure further market development and efficient implementation of the number porting process between operator networks. Postponing the application of the Rulebook to August 1, 2023 will slow down the positive effects of the new Rulebook on the electronic communications market, because a shorter period of time for the start of the rulebook's application would correspond to the needs of the market, bearing in mind that the total period of one year and a half for the implementation of this rulebook cannot be considered appropriate.

The formation of a working group for the adoption of regulations that will govern the "Do not call" register, which includes mobile operators and the Foreign Investors Council representatives, is a significant step forward in transparency and the involvement of mobile operators in finding the optimal solution for the implementation of the procedure for signing up and signing out of the register, all in order to comply with the Law on Consumer Protection. The Foreign Investors Council welcomes the readiness of the members of the working group to accept the operator's proposal that signing up and signing out process is conducted through a modern electronic procedure and expects that this model will be implemented in the final version of the text of the Rulebook.

REMAINING ISSUES

Considering the regulatory and legal barriers on the part of the EU for concluding roaming agreements between the EU and the Western Balkans region, there is a risk of introducing an obligation to unilaterally reduce prices for operators operating in the Western Balkans, without reciprocal implementation by EU operators.

It is necessary to continue the activities related to the adoption of the new Law on Electronic Communications as soon as possible. The adoption of the new Law on Electronic Com-

munications, which will be harmonized largely with the provisions of the EU Directive establishing the European Electronic Communications Code, is necessary for the further growth and development of the electronic communications market in the Republic of Serbia, given that the applicable Law on Electronic Communications was adopted in 2010, based on the EU regulatory framework from 2003.

The new Law on Electronic Communications should enable further digitization of processes in the electronic communications industry, particularly in respect of concluding contracts and invoicing in digital form.

It is needed to adopt a new Law on Broadband Infrastructure (which should be harmonized with Directive 2014/61/EU on measures to reduce the cost of deploying high-speed electronic communications networks, as well as with Directive 2018/1972 on the European Electronic Communications Code), which will specifically regulate issues such as facilitated procedure for obtaining all required permits, coordination of current and planned construction works and real-time publication of data on works through a single information point (public portal under the jurisdiction of public sector bodies); regulating the operators' access rights to publicly owned facilities and the conditions for using public facilities and public infrastructure for the needs of telecommunications infrastructure (e.g. wireless short-range access points (WAS/RLAN networks)), as well as defining in detail the rights to use and access infrastructure.

With the regard to the problem of setting-up radio base stations and applying environmental regulations, it is necessary to intensify activities based on the conclusions of the expert groups for reducing administrative barriers for deploying mobile radio base stations as well as to start the implementation of the reform in this area as soon as possible, which will enable more efficient deploying of base sta-

tions as a prerequisite for the implementation of 5G technology in the Republic of Serbia.

The obligation to pay a special remuneration to the copyright and related rights holders through the process of non-transparent amendments to the Regulation on Establishing the List of Devices and Objects and the Obligation to Pay Special Remuneration for the Use thereof to the Copyright and Related Rights Holders has multiple negative effects on the electronic communications market and represents an extremely negative example of defining regulatory framework contrary to the needs of the market and all its participants.

Unlike devices that were previously subject to the payment of a special fee, the sole purpose whereof is to reproduce copyright and related rights, the devices such as smartphones, desktop computers, laptops and tablets are primarily used for other purposes, which was not taken into consideration during the amendment of the Regulation and adding these devices to the list of devices for which there is an obligation to pay a special remuneration when importing them.

As a result of the above, there will inevitably be an increase in the price of smartphones, desktop computers, laptops and tablets bearing in mind that additional costs when importing devices or purchasing them at a wholesale level from other importers will be included in the retail price. In addition to a significant increase in the operating costs of mobile operators and other importers of this equipment, the increase in the retail prices of these devices can also lead to a slowdown in the digitization process and a reduction in the capability of citizens of the Republic of Serbia and small and medium-sized enterprises to have access to electronic communication services, electronic governance services and electronic commerce.

FIC RECOMMENDATIONS

- Improvement of regulations and their interpretation in the field of construction of radio base stations and protection against non-ionizing radiation:
 - a) in cooperation with relevant ministries and RATEL, it is necessary to educate professional services in local self-governments about the impact of telecommunications devices on health and the environment as well as about the application of special regulations relevant to the construction of radio base stations;

- b) in accordance with the comparative practice of developed EU countries such as Germany and Finland and countries in the region (e.g. Croatia), we propose to exclude mobile telecommunications facilities from List 2 of the Regulation on establishing the List of Projects Requiring a Mandatory Impact Assessment and List of Projects that May Require an Environmental Impact Assessment, so that instead of making an environmental impact assessment for each individual base station, it would be sufficient to provide the competent authority with a notification on the installation of the base station together with relevant technical data on the base station, as well as measurement after its commissioning, where the local self-government has the possibility of inspection supervision;
 - c) reexamination of the definition of the term “source of special interest”, bearing in mind the negative interpretation unjustifiably related exclusively to radio base stations, yet they are not the only sources of radiation;
 - d) abolition of spatial restrictions for the construction and installation of mobile telecommunications infrastructure from spatial regulation plans, in terms of determining the minimum height of antennas and the minimum distance where base stations can be placed in relation to neighboring buildings, given that there is no comparative practice of EU countries for this, nor grounding in regulations and science;
 - e) enable the transition from a complicated administrative system of issuing the necessary permits, including individual permits for the use of radio frequencies for base stations, to a system of registration (notification) through a single point of contact (the so-called “single point of contact”) in the form of a public portal;
 - f) through the portal, ensure efficiency, transparency, public availability via the Internet and data analysis for supervision, by establishing a unique electronic procedure for reporting the installation of RBS and confirming compliance with the prescribed conditions.
- Consultations between the state and industry in selecting the model and period of public bidding for radio-frequency spectrum intended for the development of 5G technology - operators propose and advocate a simple auction model to sell the bands that are most needed from the perspective of technologies used and market demands, at a price that will enable the smooth development of new technology and its rapid implementation, in accordance with positive examples from the neighboring countries.
 - Adoption of the new Law on Electronic Communications and adoption of key bylaws for further market development within the shortest possible period of time. The new law is expected to bring significant progress in the digitization of the process of using telecommunications services, especially regarding the conclusion of contracts and invoicing in digital form.
 - Adoption of the new Law on Broadband Infrastructure (harmonized with Directive 2014/61/ EU on measures to reduce the cost of deploying high-speed electronic communications networks, as well as with Directive 2018/1972 on the European Electronic Communications Code) and Directive 2014/61/EU on measures to reduce the cost of deploying high-speed electronic communications networks, which will define in detail the rights to use and access the infrastructure
 - Lifting of individual licenses for the use of radio frequencies within the licensed radio frequency spectrum (acquired through public bidding) which assumes the fee for the issuance and renewal of an individual license for the use of radio frequencies for a radio base station in a particular electronic communications service.

- When negotiating international agreements in the field of electronic communications (particularly regarding roaming), it is necessary to organize a process of public consultations and include industry representatives in order to consider the technical specifics, deadlines and financial implications, aimed at increasing business predictability.
- Modify the Regulation on Establishing the List of Devices and Objects and the Obligation to Pay Special Remuneration for the Use thereof to the Copyright and Related Rights Holders, so that the list of devices does not include smartphones, desktop computers, laptops and tablets, but only the devices whose sole function is the reproduction of copyrighted works (photocopiers, DVD cutters, etc.) which was the case before the amendment of this Regulation.
- A more active role of the Government in order to change public opinion about 5G technology.
- The process of signing up and out of the “Do not call” register must be carried out electronically without additional costs on the part of the operator. It is necessary to consider the possibility of amending Article 37 of the Law on Consumer Protection so that the process of signing up and out of the “Do Not Call” register is done in an electronic form, directly, without the participation of electronic communication operators.

DIGITALIZATION AND E-COMMERCE

2.57

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Following the example of a large number of EU countries, it is extremely important to make use of centralized databases and enable data exchange between the Tax Administration and companies (primarily financial institutions), in order to provide data, primarily on citizens' income, with their consent, for online lending processes, which would significantly eliminate the need for paper documentation and allow the purchase of loan products to be done completely online.	2020	√		
It is important to facilitate the use of digital identities / signatures, so they become available to the largest number of citizens, in a simple way and without high costs. One of the ways to achieve this is to popularize the issuance of a national registered high and mid-level scheme, which should be applied in the conclusion of distance contracts, between businesses and citizens.	2021	√		
In order to improve the use of digital identity, and all other opportunities offered to citizens by digitalization in Serbia, citizens should be informed about all the possibilities, rights and benefits of available channels through educational campaigns.	2021	√		
It is necessary to enable the application of "digital bill of exchange" instrument, so that it can be registered as such in the unique register of bills of exchange, i.e., signed electronically.	2021		√	

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Amend the Decree on Electronic Identification Schemes, in such a way as to allow identification of customers remotely when issuing a high and mid-level electronic identification scheme, and not only in person as is the case today.	2021		√	
We propose that all constructive solutions from regulations governing the work of public administration that contribute to further digitalization, such as the Law on Electronic Government, be applied in regulations governing the work of the private sector.	2021		√	
Accelerate digitalisation of all administrative procedures for businesses listed in the recently launched Register of administrative procedures.	2021	√		

CURRENT SITUATION

In the year in which the global pandemic was expected to finally end marking the beginning of accelerated economic growth, renewal of supply chains and return to global economic cooperation, a war erupted in Europe and the resulting economic and political divisions suppressed all other topics. Unlike the still ongoing public health crisis, the crisis we are facing now does not rely on digitalization and e-commerce as fundamental social and economic tools to mitigate the negative effects of the crisis, which is why there was less focus on this area in the course of the previous year.

Nevertheless, the trend of growth in the use and reliance on information and communication technologies in everyday life and business has continued. According to data obtained from the Statistical Office of the Republic of Serbia, the number of citizens using the Internet in Serbia in 2021 grew by 7% compared to the previous year and now stands at 81.2%¹. When it comes to e-commerce, in 2021 61% of citizens² made purchases or orders online, which continued the trend of decreasing the number of citizens who did not participate in e-commerce at all by several percent per year.

In last year's edition of the White Book, we pointed out that the pandemic had a major impact on consumer behavior and in terms of increased volume of e-commerce. The National Bank of Serbia's data has shown that in 2020 the volume of online card payment transactions in dinar increased by more than 100% compared to 2019, while the value of these transactions during the same period was higher by about 80% .

1 Use of ICT in the Republic of Serbia - <https://publikacije.stat.gov.rs/G2021/Pdf/G202116016.pdf>

2 Ibidem.

A similar trend persisted in the previous year, so in 2021 the number of payment transactions made in dinars online by payment cards recorded an increase of 60% compared to 2020, while the value of these transactions increased by 57% compared to the previous year.

The key fact is that citizens' awareness has started to change, and the Government has started to act rapidly in accordance with these significant changes. We are witnessing a steep increase in number of transactions performed electronically, as well as wider application of contactless payment using digital "wallets", which are available in a large number of financial institutions.

The Government of the Republic of Serbia and the Office for IT and e-Government, as the central body competent for coordination of activities related to e-government, management of public IT Assets and information security, continue with the implementation of the digital agenda. In the early 2022, the Agreement on the establishment of the World Economic Forum (WEF) Centre for the Fourth Industrial Revolution in Serbia was signed in Geneva, being the third institution of that kind in Europe. The Centre is expected to make it possible for innovations and scientific research achievements to be rapidly implemented in order to create an economy based on knowledge and innovation. The development of biotechnology and artificial intelligence with a focus on research in the fields of molecular biology and medicine will be the priorities of the center's work, which is expected to improve the health sector and encourage the development of innovative companies in these fields. The construction of the BIO4 campus has been announced, which will unite 3 faculties, 8 scientific institutes and research and development centers at private companies. In this way, the Government of Serbia has been building on projects from previous years in the field of development of artificial intelli-

gence such as the establishment of the “Smart Serbia” platform, which should enable the improved creation of public policies and e-services based on the needs of citizens and designed based on mass data processing, which the Council wrote about in last year’s text.

The extent to which information security is important could be felt by citizens and the economy as a result of cyber-attacks on the digital infrastructure of the Republic Geodetic Institute (RGZ), which made trading real estate, registering mortgages and other jobs related to real estate impossible. According to the RGZ, after the cyber-attack, the entire RGZ system was preventively locked in order to protect data, and all of the above resulted in citizens, banks, notaries and state institutions not having access to the real estate register for several weeks.

POSITIVE DEVELOPMENTS

After the great success of 2021 when a platform was established for easy application for vaccination and optimal distribution of 4 types of vaccine across the country, and in the previous year for improvements in the domain of digitalization the greatest merits go to the Office of IT and Electronic Administration and the Unit for implementation of strategic projects of the Public Administration Reform Team and eUprava (eAdministration) within the Prime Minister Cabinet. At the beginning of the year, the Office made it possible for citizens to obtain cloud-based qualified electronic certificates free of charge, which they can use in a simple and fast way via their mobile phones, without the need to install special software or possess hardware elements such as smart cards. The solution is based on the well-known mobile application Consent ID, whose issuance of user credentials is preceded by personal identification via ID. In this manner, one of the basic recommendations of the Council has been fulfilled, which implies enabling a simple and accessible digital identity for the widest circle of citizens. We hope that in the coming period, all state institutions will integrate with the Office for IT and Electronic Administration in such a way that signing with a qualified electronic signature in the cloud will be enabled on their portals. We also believe that there is room for improving the network of partners and credentials issuing sites for the Consent ID application. Guided by the positive example of private sector representatives involvement in issuing of Consent ID credentials, the impression is that there is greater scope for private sector involvement in issuing credentials for Consent ID, and thus greater coverage of citizens. In this regard,

our proposal is to allow banks to become trusted service providers by amending regulation and that banking identity be recognized when issuing credit for Consent ID.

In addition to the above, the eUverenje (eCertificate) service was launched in the previous period, enabling electronic requests to be submitted in order to obtain an electronic certificate of settled debts based on property taxes and taxes from the domain of local self-governments. The possibility of electronic calculation and payment of taxes on the transfer of absolute rights when buying used vehicles was introduced, and individual procedures of several ministries were also digitized.

As part of the Open Balkans Regional Initiative, an Agreement on Linking Electronic Identification Schemes has been reached which aims to enable the unique use of schemes issued by Serbia, North Macedonia and Albania.

At the end of 2021, the National Assembly adopted the Law on Fiscalization, which replaced the previous Law on Fiscal Cash Registers, and whose implementation begun on 1 January 2022, with a transition period until 1 May 2022 for the economy to adjust. The most important novelty this law brought is a broader scope of fiscalization, then electronic recording of real-time transactions via the Internet connection between each fiscal device and the Tax Administration system, and unique electronic elements of each invoice that allow its verification. In addition, the state has allocated 3 billion dinars for implementation of the new fiscalization system, while the law itself brings technological neutrality in terms of devices used and combination of software and hardware that can be applied, which will save the businesses from high costs of digital, online fiscalization. Along with the usual challenges concerning adjustment, the new system has been successfully implemented and in the coming period it is expected to achieve the effects of increasing tax revenues, as well as a more effective control and risk analysis in order to prevent tax evasion.

We are witnessing major progress in the part of the legal framework that enables further digitalization of financial services, through a series of decisions that the regulator, the National Bank of Serbia, prescribed in the previous period. Thus, in addition to the possibility of video identification of natural persons, with the relevant Decision having been extended, the identification of legal entities has been made possible as well. After the implementation of these novelties, other ways of identifying the client should be

enabled, first and foremost the exchange of data between banks via the platform (open banking) with the key and central role of the National Bank of Serbia.

REMAINING ISSUES

After the successfully implemented project “Moji podaci za moju banku” (My Data for My Bank) based on the exchange of data between the public and private sectors, the Council for Telecommunications and Digital Economy sees an opportunity for further digitalization of business in new initiatives of this type.

Procedures in public administration have been significantly accelerated by connecting state institutions and automatic exchange of documents. We believe that similar cooperation between banks, mobile operators, insurance and other business entities with state authorities, can contribute to a greater efficiency and safety of business operations. Exchange of data with the Tax Administration, Social Security Register and Credit Bureau for the purpose of assessing actual creditworthiness and protection against fraud, enabling verification of the validity of the identity card through the Ministry of Interior when concluding a contract or using the e-inbox of the eAdministration for the delivery of documentation are just some of the examples in which we see this potential.

In the last five years, a major shift has been made when it comes to regulations from the domain of electronic commerce. However, regulations governing other areas often represent a barrier to the digitalization of business. These regulations are not easy to amend since they are often based on the erroneous paradigm that paper is a safer and transparent form of a document compared to an electronic document.

One such example are bills for telecommunications services. Namely, the Government of the Republic of Serbia has saved 180 million papers over a period of 4 years thanks to the digitalization of processes in public administration, which is a great result from the perspective of improvement and protection of the environment for which our country has received recognition by the World Economic Forum (WEF)³. Inspired by this success, mobile operators, which

have over 5 million postpaid customers to whom they send bills each month, proposed to allow the issuance of electronic bills as the default form of bills for telecommunications services for all the existing customers and new ones. If all customers of mobile operators received electronic bills, only on this basis in 4 years in Serbia would save as much as 240 million papers. This proposal has not yet taken root because of the Law on VAT, which requires the consent of the recipient for the issuance of an electronic bill, while on the other hand, the Law on Consumer Protection prohibits the collection of costs for issuing and sending a paper bill. In conditions of insufficient environmental awareness, as well as awareness that an electronic bill brings the same level of legal protection, consumers are not motivated enough to switch from paper to electronic bills. The expectation of the Council is that this problem will be solved by the adoption of a new Law on Electronic Communications which, as a separate law (*lex specialis*), will regulate the bill for electronic communications services.

However, a bigger problem is the regulations on archiving, or rather the Regulation on Unique Technical and Technology Requirements and Procedures for Storage and Protection of Archival and Documentary Materials in Electronic Form, adopted based on the Law on Archiving, which will enter into force on 1 January 2024. This regulation provides for a costly and complicated process of archiving electronic documentation which implies, among other matters, that each individual document should be certified by a qualified electronic time stamp of an authorized trusted service provider. The expected costs of introducing an electronic archiving system and putting a qualified timestamp on each individual document threaten to approach or even exceed the cost of running a paper archive. In such circumstances, there will be no motivation for the economy to switch from paper to electronic business, and the return of business entities that already now operate electronically to an archive in paper form would be a major step back.

In conclusion, we note that a great effort and progress has been made in order to enable further digitalization of the economy and the public sector in the past period and that the readiness of all state institutions to continue in the same manner in the future is noticed.

³ <https://www.weforum.org/agenda/2021/04/how-technology-helped-serbia-save-180-million-sheets-of-paper-in-less-than-4-years/>

FIC RECOMMENDATIONS

- Amendment to the part of the Decision on the Classification of Bank Balance Sheet Assets and Off-Balance Sheet Items that refers to the content of the borrower's credit file, which would take into account the existence of the My Data for My Bank project and similar initiatives and which would accept data from the database of competent state institutions as credible proof of employment and earnings or pension of citizens, and in the case of consumer loans of small value and statements of citizens in digital form given under full material and criminal liability.
- In addition to enabling video identification, other ways of identifying the client should be enabled — exchange of data between banks through the platform (open banking) along with the key and central role of the National Bank of Serbia.
- In order to improve the efficiency and security of operations, automated data exchange between the public and private sectors should be enabled. For example, enable data exchange between the Tax Administration, the Social Security Register, and the Credit Bureau in order to assess actual creditworthiness and protection against fraud. Also, enable the submission of documentation by service providers to citizens through a unified electronic mailbox of eAdministration.
- Reduce the cost of electronic archiving of company documentation through the amendment of regulations along the lines of excluding the largest part of business documentation because it is not relevant for culture, art, science and other categories of the Law on Archival Material and Archival Activities.
- Adoption of the Law on Electronic Communications which will allow electronic form to be the default form of bill for telecommunications services.
- Amendment to the relevant Regulation that would allow banks to become trusted service providers and for banking identity to be recognized when issuing the Consent ID credentials.