

# INFRASTRUCTURE

## ENERGY SECTOR

2.63

### WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
<b>Electricity</b>				
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	√		
Continue work on creating the necessary conditions for the 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		√	
Further harmonization of the regulations related to the calculation of VAT on consumer invoices.	2022		√	
<b>Renewables</b>				
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	√		
Adjust the regulation and methodology for determining the maximum price at auctions so that it more closely reflects the impact of the market price of electricity	2022	√		
<b>Energy Efficiency</b>				
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 amendments adopted in 2021 and changes from 2023, which for the most part transposes the European Union's (EU) Third Energy Package.

The Republic Commission for Energy Networks was established as an independent body for the control of the operator of the electricity transmission system - Elektromreža Srbije and the operator of the natural gas transport system - Trans-

portgas Srbija. The newly formed body will take over the responsibility of these two state operators of the electricity transmission system from the Ministry of Energy. In this way, the aforementioned two operators will be able to be certified by the Energy Agency of the Republic of Serbia and European regulatory bodies. The main authorities responsible for this sector are: (i) the Serbian Government; (ii) the Ministry of Energy (the "Ministry of Energy"); (iii) the Energy Agency; and (iv) The Republic Commission for Energy Networks.

Also, there are strong indications that in 2024, new amendments to the Law on Energy will be adopted, which will

bring significant changes in this area. In April 2024, the Proposal for the Law on the Termination of the Law on the Prohibition of the Construction of Nuclear Power Plants in the Federal Republic of Yugoslavia was adopted, in order to enable the regulation of issues related to nuclear energy.

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. Also, the transformation of EPS from a public company to a joint-stock company was conducted, and a new supervisory board was appointed, which is important step towards professionalizing the management of this company.

The electricity market is fully liberalized. 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 May 2023, while the next one is expected by the end of 2024. 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 97% of open market participation.

The day-ahead market is operated by the joint-stock company South East European Power Exchange (SEEPEX). Also SEEPEX launched and established an intraday market on July 25, 2023.

The Hungarian electricity exchange HUPX joins Adex, strengthening and expanding the scope of the regional electricity exchange group for Central-Eastern and South-Eastern Europe (SE-SEE). Adex Group thus becomes the most liquid centre for electricity spot trading in this part of Europe.

### Renewables

The inflow of foreign direct investments increasingly depends on the availability, predictability and structure

of the supply of certified green energy. Issues such as the percentage of electricity from renewable sources that is available on the grid, the further development of power plants using renewable energy sources and the possibility of a guaranteed supply of green energy through corporate power purchase agreements are gaining more and more importance and becoming one of the decisive reasons for investment in the Republic of Serbia by foreign investors.

In April 2021, the Law on the Use of Renewable Energy Sources was adopted, and in 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. It is very important to note that on September 28, 2023, the Government of the Republic of Serbia adopted the Decree on the Conditions of Delivery and Supply of Electricity. The aim of this Decree is, among other things, to regulate more closely the conditions for issuing approval for connection to the transmission and distribution system, by detailed regulation of the mandatory study of connection to the transmission system and the part of the distribution system managed by the transmission system operator, as well as establishing the obligation to submit evidence on the deposit of funds for the costs of the Study, i.e. the attachment of a bank guarantee in favour of the transmission system operator.

Incentives are provided in the form of a market premium system and feed-in tariffs (only for small facilities). Both systems are 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, the first auctions were held in June 2023 for the allocation of market premiums for renewable energy sources - wind power plants (400MW) and solar power plants (50MW). The auction procedure is digitalized, which ensures fast and efficient implementation of the process.

At the first auctions for the allocation of market premiums for renewable energy sources, 16 investors applied, with a total power plant capacity of 816.48 MW, of which 602.8 MW were offered to fill the quota, while the estimated value of the investments for all the power plants amounts to €1.26 billion.

The seriousness of the bids received is evidenced by the fact that the interested companies provided bank guarantees and cash deposits exceeding €18 million, which ensures their intention to realize the projects.

Out of the total number of registered investors, 11 participants qualified for the bidding phase. In the wind farm auction process, four investors filled the quota and three in the solar power plant auction. The lowest offered price was €64.48 per megawatt-hour (€/MWh) for wind farms, and €88.65 per megawatt-hour for solar power plants.

On this occasion, the Ministry of Energy stated that the auctions for the allocation of market premiums for a total of 450 MW are the largest auctions being conducted at once in the Western Balkans region and are the first auctions within the three-year incentive plan, which will secure a total of 1,300 MW from green energy sources.

Additionally, the auction process has been digitalized and is conducted through the portal [oieaukcije.mre.gov.rs](http://oieaukcije.mre.gov.rs), ensuring an efficient and transparent selection of projects.

The successful implementation of the auction process is an important step in the transition to cleaner energy sources, increasing electricity production, and achieving greater security of supply for citizens and the economy.

A market premium is an incentive for electricity production whereby the state protects producers from changes in market prices relative to the price offered by the producer at auction by paying the difference between the auction price and the market price. If market prices exceed the price offered by the producer at auction, the producer

will pay the difference to the state. According to current projections, the state will generate revenue from the first auctions, estimated at several million euros annually, in addition to the other benefits the auctions bring. The next auctions for the allocation of market premiums for renewable energy sources are scheduled for November 2024.

Additionally, it is important to note that the proposed amendments to the Energy Law introduce a new concept of the “active buyer,” which is expected to be adopted. However, it remains uncertain how this will affect the existing prosumer model and how much time and cost will be required for investors to implement this new framework if they choose to do so.

Balancing responsibility for producers using renewable energy sources (RES) under the incentive system will be assumed by the “guaranteed supplier” (i.e., EPS). Other producers will need to regulate their balancing responsibility under market conditions.

The 2023 amendments to the Law on Renewable Energy Sources introduced a new mechanism for financial compensation between privileged producers and EPS, based on the rule that a privileged producer is required to pay EPS an additional fee if they produce less electricity than planned, and conversely, EPS is obligated to pay the privileged producer for any excess electricity produced beyond the planned amount. This mechanism adds responsibility for privileged producers to more accurately predict electricity production, as poor forecasting would result in paying a negative balance.

The Law on Renewable Energy Sources also introduces the concept of strategic partnerships and provides the possibility of conducting a public call for the construction of RES power plants through the selection of a strategic partner. The Government has established the procedure for selecting a strategic partner, and in July 2023, a public call was issued for a strategic partner for the construction of large-scale self-balancing solar power plants with battery storage systems in Serbia. A group of bidders consisting of Hyundai Engineering Co. LTD, Hyundai Eng. America Inc., and UGT Renewables LLC has been selected as the strategic partner.

Approval for the connection of a new electricity generation and storage facility to the transmission system and part of the distribution system managed by the transmission system operator may contain operational constraints. An operational constraint is a temporary reduction in active

power at the connection point to ensure the secure operation of the transmission system.

A facility subject to operational constraints cannot cause a change in connection conditions for already connected facilities. The transmission system operator is required to submit a request to the Energy Agency of the Republic of Serbia for approval of operational constraints, along with a connection study. The agency has 15 days from the date of receipt of the request to issue a decision after analyzing the connection study and determining whether the operator has acted transparently and without discrimination.

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 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 laws, 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 m<sup>2</sup> 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.

In June 2024, the Directorate for Financing and Promoting Energy Efficiency was established.

## POSITIVE DEVELOPMENTS

### Electricity

SEEPEX membership grew to 42 members.

New legal solutions from 2023 reduce the authority of the government, and increase the authority of the parliament over the activity of production and distribution of electricity and supply, over the state operators of the electricity transmission system - EMS and gas - Transportgas.

In this context, a significant improvement is the adoption of the new Decree on the Conditions of Delivery and Supply of Electricity ("Official Gazette of the RS", No. 84/2023) in October 2023.

The aim of the new regulation is, among other things, to further define the conditions for issuing connection approvals to the transmission and distribution systems. This includes detailed regulation of the mandatory preparation of a connection study for the transmission system and the part of the distribution system managed by the transmission system operator, as well as the obligation to provide proof of deposited funds for the study costs or submit a bank guarantee in favor of the transmission system operator.

### 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("Official

Gazette of RS", no. 112/2021 and 45/2023 - other decree);

- 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");
- Regulation on the conditions and procedure for acquiring the status of privileged electricity producer, temporary privileged producer and producer of electricity from renewable energy sources ("Official Gazette of RS", no. 56/2016, 60/2017, 44/2018 - other laws, 54/2019 and 112/2021 - other Regulations);
- 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);
- Regulation on the assumption of balance responsibility and the model agreement on the assumption of balance responsibility ("Official Gazette of RS", No. 45/2023);
- 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".No.33/2021);
- Rulebook on the Allocation of Non-Refundable Incentive Funds for Co-Financing the Implementation of Renewable Energy Projects in Public Purpose Buildings ("Official Gazette of the AP Vojvodina", No. 30/2023).

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 constructions 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.

At the beginning of June 2023, the Government of the Republic of Serbia adopted the Plan for the incentive system for the use of renewable energy sources for the period

2023-2025, according to which the total capacity for which the right to incentives in the market premium system can be acquired in the next three years is 1,000 MW for wind power technology and 300 MW for solar power plant technology.

Additionally, in June 2023, the Low Carbon Development Strategy of the Republic of Serbia was adopted for the period from 2023 to 2030 with projections until 2050 ("Official Gazette of RS", No. 46/2023). In July 2023, a public hearing was held for the Integrated National Energy and Climate Plan (INEKP), adopted in July 2024 in order to secure consistency with the long-term relevant policy goals at the level of the European Union, UNFCCC, and the Energy Community.

Also, in June 2023, the new Regulation on energy vulnerable customers entered into force, 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. According to the Regulation, poor consumers of electricity in Serbia have the right to a reduction in their electricity bill, i.e. they have the right to receive a certain amount of electricity for free on a monthly basis.

Although the text of the mentioned plan is not yet available, the Ministry has announced that its adoption marks the beginning of a new phase in the development of Serbia's energy sector, aimed at contributing to greater security of supply, increasing the share of clean energy sources, and enhancing environmental protection.

### Energy Efficiency

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. Also, the High Court in Belgrade issued a first-instance verdict in favor of the Regulatory Institute for Renewable Energy and the Environment (RERI) and ordered "Elektroprivreda Srbije" (EPS) to reduce sulfur dioxide emissions in thermal power plants due to their danger to human health and the environment. This judgment represents a precedent and additional pressure to reconstruct and modernize the thermal power plants owned by EPS, in order to adequately implement the aforementioned judgment.

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

### Renewables

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.

Opinion of the Ministry of Finance regarding the calculation of VAT on electricity bills for prosumers.

Just before the publication of the White Book, the final proposal for the amendments to the Energy Law has been adopted. The current proposal introduces additional conditions for obtaining an energy license, as well as provisions that establish unequal business conditions for the same activities with different market participants, such as prioritizing strategic partners when defining connection conditions over previously submitted requests. While it is justified to relieve the transmission system of blocked capacities that will not be realized, the proposal to retroactively impose obligations for connection procedures cannot be considered a fair solution. So far, no accompanying amendments to subordinate legislation and other laws have been announced that need to be aligned, so that the industry can fully understand how the new concept of the "active customer" will be applied and

how it will affect planned investments in the development of their own renewable energy generation capacities.

### 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 a 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:

- strengthening and sharing of knowledge and existing know-how among various public entities to be strengthened and supported (especially in the case of minor Serbian municipalities);
- improvement of the practical implementation of the rules related to the determination of the value of the project, related to PPP.

## 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.
- Continue work on creating the necessary conditions for the 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.
- Introducing a mechanism requiring investors to provide a security instrument, such as a bank guarantee or deposit, when reserving a grid connection, with the aim of preventing queues for connections that block available capacity.
- Further harmonization of the regulations related to the calculation of VAT on consumer invoices.

### 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 regulation and methodology for determining the maximum price at auctions so that it more closely reflects the impact of the market price of electricity
- It is necessary to adopt the final proposal for the amendments to the Energy Law without delay. However, it is essential to pay attention to the following:

- The amendments to the Energy Law should not introduce additional conditions for obtaining an energy license. Unpredictable and insufficiently clear conditions that would be introduced through these amendments (primarily the proposal to assess compliance with long-term strategies) could pose a serious problem for legal certainty and the predictability of project development.
- It is crucial to avoid solutions that establish unequal business conditions for the same activities among different market participants, such as prioritizing a strategic partner when defining connection conditions over previously submitted requests.
- While it is justified to relieve the transmission system of blocked capacities that will not be realized, the proposal to retroactively impose obligations for connection procedures cannot be considered a fair solution. We emphasize the need to acknowledge the differences between projects—in terms of those within the incentive system and those in a mature phase, compared to those that have not yet started development.
- Until the amendments to the Energy Law are adopted, it is necessary to publish accompanying changes to subordinate legislation and other laws that need to be aligned, so that the industry has a complete understanding of how the “active customer” concept will be applied and how it will affect planned investments in the development of their own renewable energy generation capacities.

### 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.
- Enhancing the institutional readiness of local governments to organize energy management within their territories and to carry out tasks defined by the Law on Efficient Energy Use.

## TRANSPORT

### CURRENT SITUATION

When it comes to all types of transport, the importance of the Republic of Serbia is undeniable, both for the countries of the Balkans and for the region of Southeast Europe, but also beyond. The best way to consider the improvement of transport would be through five modes of transport: road, rail, air, water and intermodal.

The tendency to approach the development levels of the European Union also exists in this segment, which is primarily reflected in the implementation and harmonization

of Serbian positive regulations with European regulations. The basis for these activities is certainly **the General Master Plan of Transport in Serbia**, from 2009, which contains guidelines and plans for the road, rail, water, air and intermodal transport sectors, ending in 2027. **The General Master Plan of Transport in Serbia** also represents the basis for existing and future projects, which will be financed from EU pre-accession and accession funds, as well as other sources of financing. The draft of the new General Master Plan for the period after 2027 is still not being prepared, although the currently valid one was adopted in 2009.

When it comes to legal regulations, the road transport sector is the most extensive, given that road transport is the most represented in relation to other modes of transport. Out



of the 5000 kilometres of roads in Serbia, 1100 kilometres have been designated as a high priority for rehabilitation, in accordance with the Transport Strategy and the General Master Plan. In road transport, progress has been achieved by adopting regulations in the field of dangerous goods and transport licenses, while regulations related to the transport of goods are harmonized with European regulations.

During the final stage of the preparation of the White Book, a public debate was published on Draft Law on Roads, effects of which will be analysed in the next edition of the White Book.

The railway sector is the sector in which the need for modernization is the highest right now, which has been intensively worked on in the last few years. In the field of rail transport, where there is progress, it is necessary to continue to open the market to private operators and ensure the viability of the reformed railway companies.

Air traffic in the Republic of Serbia is characterized by the constant growth of air traffic in the period after the COVID-19 pandemic, the signed Agreement on Accession to the Common European Aviation Area, compliance with European regulations, the modernization of Nikola Tesla Airport and Konstantin Veliki Airport, and the development of destinations and the fleet of the national airline company AIR SERBIA. When it comes to regulation, the basic document is the Air Traffic Act, and many by-laws issued by the regulatory body - the Directorate of Civil Aviation of the Republic of Serbia emerge from it. The most important subjects of air transport are the Ministry of Construction, Transport and Infrastructure, the Directorate of Civil Aviation of the Republic of Serbia, airlines, airport operators and the Air Traffic Control Agency.

The waterways are not used enough, nor is their potential in the context of Serbia's international connectivity. Another burning issue, which occurs in this sector, is the financing of both reconstruction and modernization of water transport. The funds required for the improvement of ports, waterways and support systems, as well as their maintenance, are large. The changes in terms of regulations governing water transport introduce amendments to the Law on Navigation and Ports on Inland Waters from 2021.

The intermodal form of transport, with three partially built terminals, is a form of transport that is still in its infancy, with a tendency to develop in the coming period.

The three main characteristics of the state of transport in the Republic of Serbia are the current maintenance of the existing infrastructure, investment, i.e. its modernization and harmonization with European standards. Investing in infrastructure, investing and maintaining the existing traffic network are the goals to be pursued.

## POSITIVE DEVELOPMENTS

In previous years, the improvement of all types of transport continued, not only in the technical sense, but also in the sense of concluding contracts and negotiations with the executive authorities of the surrounding countries, as well as foreign investors.

Part of the projects where certain delays were observed during implementation are the construction of the Belgrade-Budapest railway, the construction of the Nis-Merdare-Pristina highway, the reconstruction of the Belgrade-Bar railway, and the project documentation for the Belgrade-Sarajevo highway is being prepared. However, it should be noted that significant works have been carried out when it comes to the construction of the Belgrade-Budapest railway, especially bearing in mind that the high-speed railway Belgrade-Novı Sad, as well as Novi Sad-Subotica, has been built, while the completion of the complete railway is unofficially announced for 2025. When it comes to the construction of the Nis-Merdare-Pristina highway, at the end of July 2023, the first section of the Nis-Merdare road, 5.5 kilometres long, was completed.

In the road sector, the emphasis is placed on the construction of Corridors 10 and 11. The construction of the Preljina-Požega section of Corridor 11 began in May 2019, and completion is expected within 36 months. However, this deadline was not met, and the work is expected to be completed only at the end of 2024.

The construction of Corridor 11 branch Požega-Boljare is also planned, as part of the road corridor Belgrade-South Adriatic. For the section of the Požega-Boljare Corridor, a Memorandum of Understanding was signed between the Republic of Serbia and the People's Republic of China, and the Spatial Plan of the Special Purpose Area is currently being prepared. However, no information is yet available when the works on these sections are expected to be completed.

The project to build a new port in Belgrade, whose completion is planned for December 2023, and which is included in the Single Project Pipeline as a project of exceptional stra-

tegic importance, has not yet been completed and there is no information on when it will be.

The railway sector continued its cooperation with regional countries. Documentation is being prepared for the initiation of the tender procedure for the reconstruction of the Nis-Dimitrovgrad railway, which is significant, since this part of the railway connects the Republic of Serbia and the Republic of Bulgaria, and the completion of which is planned for the end of 2027 according to the latest statements of the President of Serbia. The modernization project of the Belgrade-Budapest railway is also underway. This project is of exceptional strategic importance, since it represents part of the basic traffic transversal of the Republic of Serbia, connects three of the five largest cities in the Republic and forms part of the Pan-European Corridor X. On the Belgrade-Stara Pazova section, 17.19% of the works have been physically completed, while the Novi Sad - Subotica section is expected to be completed by the end of 2024.

In air traffic, the project of a new runway for "Morava" Airport in Kraljevo is planned. For the "Konstantin Veliki" Airport in Nis, the addition of the terminal building and the renovation of the runway are planned.

Since the end of 2018, Belgrade Nikola Tesla Airport has been managed by a foreign concessionaire - part of the French Vinci Group. In accordance with the Concession Agreement, the airport operator has fully delivered the following works in the previous period of five years from the date of commencement of the concession:

- A new inset runway and new taxiways with a new light marking system were built,
- New navigation equipment for the instrument landing system was installed on the inserted runway, with associated energy and telecommunication installations and new meteorological equipment,
- Platform E and the accompanying new asphalt service road were built,
- Platforms B, C and the platform for de-icing and relocation of de-icing objects have been expanded,
- New roads and parking lots were built in front of the Terminal and in the vicinity of the airport,

- A new heating plant and new facilities for the processing of waste and wastewater were built.

With the reconstruction and expansion of the Terminal building, the surface area of the Terminal was increased to over 93 thousand square meters, and the number of waiting rooms was increased from 19 to 31. Through the project, the airport operator ensured the separation of passengers (departure / arrival / transfer), centralized security check of passengers, control of passengers in the transfer without interference, improved the control of passage from the public to the restricted zone of the facility by abolishing certain passages and introducing new ones.

The number of destinations has increased to 115 in 2023, and the number of passengers achieved is around eight million per year.

At the moment, works are underway on the complete renovation of the old runway, and the works on the terminal building are in the final phase.

On the other hand, the national airline AIR SERBIA significantly increased the number of destinations and aircraft in the period after the pandemic.

Considering all ongoing projects, it is evident that investing in traffic infrastructure is a priority.

In March 2020, the Government of the Republic of Serbia adopted its first Regulation on subsidizing the purchase of new electric vehicles, which directly encourages the use of an environmentally friendly form of transport. Subsidy amounts are 250 and 500 euros for electric motorcycles and between 2,500 and 5,000 euros (depending on the type of drive) for electric cars. Subsidies are awarded through the Ministry of Environmental Protection. In addition, by amending the law (on taxes on the use, holding and carrying of goods), owners of hybrid vehicles are exempted from paying the tax on the use of motor vehicles.

Also, in 2024, the Government of the Republic of Serbia passed a Regulation on the conditions and method of implementing the subsidized purchase of new vehicles with an exclusively electric drive, which encourages the purchase of new vehicles with an exclusively electric drive in order to encourage an environmentally friendly form of transport.

In the light of supporting the transition to sustainable mobil-

ity, it is necessary to adopt a series of regulations and measures that would improve the conditions for the use of electric vehicles, both those concerning the construction and the regime of importing electric cars and charging for the energy used to charge them. Changes in regulations in this direction and additional measures should aim to create more favorable conditions for electric vehicles in the city, encourage the market of sustainable vehicles and contribute to the reduction of harmful gas emissions in urban areas.

Finally, subsidies for the installation of private charging infrastructure, especially for charging stations, to support the growth of the charging network and facilitate the charging of electric vehicles in urban areas are also missing from the current regulation of the Republic of Serbia.

The combination of electric vehicles with renewable energy sources would represent a key step towards a sustainable future. By using solar panels, wind turbines and other renewable sources to produce electricity, vehicles can be powered in an environmentally friendly way. This approach reduces dependence on fossil fuels and encourages the transition to clean energy, thereby protecting the environment and contributing to global efforts to reduce emissions.

The initiative at the level of the Western Balkans with regard to the adoption of a detailed plan for the improvement of the Green Corridors also brings significant progress.

The comprehensive plan for the improvement of Green Corridors, improved customs cooperation and modernization of border/crossing points details initiatives aimed at facilitating trade and increasing efficiency between the Western Balkans and the EU. Established during the COVID-19 pandemic, the Green Corridors Initiative has proven successful in preserving trade flows and speeding up the customs clearance process for essential goods. Using the Electronic Data Interchange System, pre-arrival information sharing among customs and other inspection agencies is facilitated, benefiting trade within CEFTA and between the EU and the Western Balkans.

Key development steps include the expansion of the initiative to EU member states (Greece, Italy, Croatia) through a Memorandum on Data Exchange, with further phases planned. The plan emphasizes infrastructure improvement, digitization and capacity building at border crossings, with the aim of reducing waiting times, improving transparency and simplifying customs procedures. Coordination is entrusted to the EU-Western Balkans/CEFTA Green Belt Com-

mittee, supported by continuous EU initiatives and cooperation with regional partners. Future activities are aimed at improving the legal framework, expanding data exchange and implementing joint risk management strategies, all with the aim of encouraging economic growth and integration.

When it comes to the Transport Communities of the Western Balkans, this community focuses on the integration of the region into the European transport market through the operationalization of the new transport corridor Western Balkans-Eastern Mediterranean. This corridor connects eight EU member states with the Western Balkans, forming a single European transport network for the first time.

The main goal of the Transport Community is the complete harmonization of the transport markets of the Western Balkans with the EU, including the adoption of European standards and the organization of traffic. The revision of the Regulation on the Trans-European Transport Network, achieved at the end of 2023, is crucial for the integration of the Western Balkan partners in the newly established corridor.

For 2024, priorities include the operationalization of the European transport corridor and the development of new action plans for the adoption of EU transport legislation in the Western Balkans. It was assessed that Serbia stands out as the most advanced in the transfer of EU legislation in the field of transport.

Funding remains a key issue, given that current funds are insufficient to cover infrastructure needs. In this context, the New EU Growth Plan represents an important support mechanism for reforms in the area of transport in the Western Balkans, with an emphasis on European funding as a key factor for effective implementation of projects and reducing the risk of corruption, so it remains to be seen how this issue will be resolved on EU level.

Also, the board of directors of the Forum of Chambers of Commerce of the Adriatic-Ionian countries adopted the initiative of the Chamber of Commerce of Serbia and the Croatian Chamber of Commerce to speed up the flow of goods at border crossings between the EU and the Western Balkans in the Adriatic-Ionian region. The average waiting time for freight vehicles at the border is 10 hours, with a maximum recorded waiting time of 36 hours, which creates kilometre-long lines of vehicles and disrupts the safety and flow of passengers. These delays significantly reduce the competitiveness and economic development of the region,

estimating losses of 130 million euros per year for transport companies. Improving rail infrastructure is key to reducing congestion at road crossings and emissions, which supports intermodal connections and economic growth.

## REMAINING ISSUES

Traffic safety is the most important issue when it comes to transportation problems. The number of injured and deceased persons is increasing, which is contrary to the goals of the Road Traffic Safety Strategy 2023-2030. The ever-present problem of road traffic is also financing - funds from state income, as well as foreign investments, are not sufficient for maintenance, repair and construction of new roads, and the aggravating circumstance is the fact that this problem is directly related to traffic safety.

One of the outstanding issues is the lack of adequate infrastructure for the use of electric vehicles, which may become a significant obstacle to the country's green energy agenda and may threaten the strategic importance of Corridors 10 and 11. On the other hand, it is encouraging that the Ministry of Construction, Transport and Infrastructure has recognized the need to improve this issue, and electric charging stations have been installed in certain places on Corridor 10. Some large oil companies have also installed electrical charging stations on their SSGs. However, there are several regulatory issues that need to be resolved in order to encourage this trend, as one of the obligations towards the EC and the EU is to achieve a certain share of energy from renewable sources in the transport sector. The by-laws were adopted in 2019, and the obliges are companies that trade fuels.

Modernization is the biggest problem of the railway sector. It is necessary to work on the improvement of this mode of transport, because a large number of railways are not used, while the speed of trains is not satisfactory on certain sections. Attention should be paid to the long-term plan for the development of rail transport and its harmonization with road transport, with the aim of increasing intermodality. Another problem is the image of the railway, which should be actively changed in the eyes of public, by changing the marketing policy.

The usefulness of other airports, besides Belgrade and Nis, should be increased, and a long-term strategy for the use of the entire Serbian aviation infrastructure should be devised.

When it comes to water transport, the biggest problem is financing - large funds are needed just to rebuild the infrastructure, which dates back to the period of the former Yugoslavia. Modernization and maintenance of the water transport system costs a lot. It is encouraging that the investment in the coming years in the total amount of 31 million euros has been announced, which will be aimed at the development of river transport and the protection of the natural features of the Danube. One of the positive examples is the reconstruction of the port of Smederevo.

Transport has become one of the burning issues of the green transition due to its significant role in greenhouse gas emissions, although other sectors have made progress in reducing emissions. According to estimates, the transport sector could account for as much as 44% of total EU greenhouse gas emissions by 2030, despite expected slight declines. This would significantly exceed the EU's emissions reduction target of -55% compared to 1990 levels.

Reasons for the rise in traffic emissions include increased human mobility, longer car journeys and significant growth in aviation emissions. Freight transport emissions are also on the rise, further contributing to the high level of emissions in the sector.

Although technological solutions such as electric cars are available, their wider implementation takes time, given the long lifespan of the existing European vehicle fleet. Only a small fraction of new cars sold in 2023 were fully electric, which shows the need for an accelerated transition and regulatory measures to support the transition to a more sustainable transport system. Also, at this moment, companies' investments in reducing or completely eliminating waste are not recognized in any way.

The European Union's initiative to regulate company cars as a means of increasing demand for electric vehicles is one step in that direction. This issue is the focus of an informal meeting of EU transport ministers in Brussels, where strategies for "green transport" and the fight against climate change in the transport sector are discussed.

Regarding the electricity consumed by EVs, the situation is as follows: it remains problematic that the electricity consumed when charging electric cars cannot be charged, because no one has the permission/consent of the Electricity Supplier and Distribution System Operator for retail electricity trading. Therefore, those liable for the share of

RES in transport, in addition to not being able to charge for this electricity, cannot prove that they have met part of their obligations for RES through electricity placed in the transport sector. Although a directive that foresees additional benefits if the merchant/owner of SSG obtains the electricity used by EVs from their own production of electricity from renewable sources was passed at the EU level back in 2018, this directive has not yet been transposed into the legal framework of the Republic of Serbia.

International truck transport and the capacities of border crossings are another problem.

- In addition to attempts to improve the situation (Open Balkans, establishment of green corridors, integrated border crossing with North Macedonia), the fact is that the EU is the most important foreign trade partner, which is why the efficient development of transport with EU countries is of crucial importance. In this sense, the three border crossings to the EU are the most significant (Horgos and Kelebija to the Republic of Hungary and Batrovci to the

Republic of Croatia). The usual time for a truck to stay at a border crossing ranges from 12 to 24 hours, depending on the period of the year, day of the week, etc., observed per truck tour of 24-48 hours. In addition to the direct negative effects on the transport industry itself, the indirect negative effects on the entire economy are reflected in extended delivery times, reductions in available transport capacities which are problematic anyway due to some other factors already mentioned in the document, the final prices of goods that are the subject of transport...

- International road transport takes place on the basis of permits issued annually by the Ministry of Construction, Transport and Infrastructure based on negotiations with the authorities of other countries. For years now, especially with countries with which there is an intensive exchange of goods, there was a noticeable lack of transport permits, especially in the last quarter. Transport to and from Austria, Italy, Poland, Spain, Greece are particularly problematic and there is regularly a problem of the available number of permits.

## FIC RECOMMENDATIONS

- Introduce additional incentive measures for the construction of infrastructure for the use of electric vehicles. Also, it is necessary to provide an adequate regulatory framework that will enable the development of this sector and that takes into account the constructive recommendations of relevant stakeholders.
- Adapt the Law on Energy to recognize and encourage the use of electricity in the transport sector.
- Increase material quality control and inspection supervision during the performance of works; implement international standards of quality and project management in the public sector as well.
- Enter into public-private partnerships in vital areas of transport that are not reserved for the state and which the government is not capable of equipping, restructuring, or modernising independently—or for which it is more optimal and efficient to do so in partnership with the private sector.
- Additionally, work on opening the market in railway traffic, with the aim of establishing the necessary institutional structures. The application of European standards in the implementation of technologies on the railway network, for the interoperability and smooth traffic with neighbouring countries in order to increase transport through Serbia, is crucial in this regard.
- Implementation of measures that will improve the characteristics of combined transport within the Serbian transport system.
- Conclusion of new and amendments to existing bilateral agreements in the field of air transport in order to

increase Serbia's connectivity with Asia and North America.

- Making the most of the European Open Skies Agreement to improve connectivity in the region.
- Construction of (rail) infrastructure to improve connectivity between the airport and central Belgrade.
- Stimulating investments in the reduction or complete elimination of waste generated during production processes, consumption and daily activities.
- Temporary reduction of duty on electric vehicles to zero, regardless of their origin.
- Establish a clear legal framework for charging energy consumed at electric vehicle charging stations per kilowatt hour (kWh).
- Urgent investment in electric vehicle charging infrastructure and the development of sustainable transport options is recommended, with strict enforcement of regulatory measures encouraging the reduction of greenhouse gas emissions in the transport sector.
- Enact regulations that would require building permits for "fast" charging stations, which would facilitate the process of their installation and improve the availability of chargers.
- Introducing cheaper or free parking options for electric vehicles in certain city areas.
- Consider the introduction of incentives for the import of used electric cars, as part of a broader strategy to diversify the offer of electric vehicles on the market.
- Introduce subsidies for setting up private charging infrastructure, especially for charging stations.
- According to the legislation in force in the Republic of Serbia, there are no special license plates for electric vehicles, which would prevent privileged access to certain parts of the city, including "yellow" lanes intended for faster movement. Related to this is the lack of cheaper or free options for parking electric vehicles in certain city areas, in order to facilitate their use and reduce congestion.
- Cyber security in transport: With the increasing number of electric vehicles and their connection to the grid, it is crucial to include cyber security standards in the legislation. It is necessary to define obligations to protect charging data, manage the risks of cyber-attacks on the charging infrastructure and ensure that all relevant actors are involved in data protection and network security.
- It is necessary to develop and implement standards for the management of risks related to cyber-attacks, especially on critical infrastructure. The above includes:
  - Risk assessment: Mandatory risk assessment of cyber-attacks and development of strategies to mitigate identified risks.
  - Infrastructure Protection: Implementation of advanced technologies and safeguards for critical infrastructure, including redundancy and resilient systems.

- Incident response plans: Developing and testing incident management plans to minimize the impacts of cyber-attacks.
- Therefore, it is necessary to legally oblige transport market participants to regularly assess risks and implement appropriate protection measures for critical infrastructure, and to develop and test incident management plans.
- It is necessary to ensure that all relevant actors, including state institutions, the private sector and non-governmental organizations, are involved in data protection and network security, including:
  - Coordination and cooperation: Creating platforms for coordination between different actors in order to improve cooperation and exchange of information on cyber threats.
  - Regulatory oversight: Introducing mechanisms for monitoring compliance with legislative standards and sanctioning violators.
  - Support and resources: Providing resources and support for small and medium-sized enterprises so that they can align their security practices with the standards.
- It is necessary to introduce legal provisions that oblige all relevant actors to coordinate and cooperate in the field of data protection and network security, while establishing regulatory oversight and providing resources to support compliance with standards.
- Autonomous vehicles and drones: As the technology of autonomous vehicles and drones advances, the legislative framework needs to be adapted to regulate their testing, use and integration into the traffic system. This includes defining standards for safety, liability in the event of accidents and ensuring that autonomous vehicles and drones comply with national regulations.
- The role of AI in logistics: The development of artificial intelligence (AI) in logistics brings opportunities for more efficient management of transport networks, route optimization and cost reduction. The legislative framework should support the development and application of AI technologies, while ensuring the ethical use of data and the protection of privacy.
- It is necessary for the Government to ensure understanding and synchronization with the governments of neighbouring countries in activities aimed at improving efficiency and flow at border crossings.
- In order for the supply chain to function on the international market, the Ministry of Construction, Transport and Infrastructure should provide a greater number of transport permits, that is, consider abolishing the permit system.

# TELECOMMUNICATIONS

1.67

## WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Excluding 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.	2021		√	
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 installed in relation to neighboring buildings, given that there is no comparative practice of EU countries for this, nor grounding in regulations and science.	2021		√	
Amendments to the Rulebook on the limits of exposure to non-ionizing radiation in order to harmonize the reference threshold levels with the ICNIRP recommendations.	2023			√
Amendments to the Rulebook on sources of non-ionizing radiation of special interest, types of sources, manner and period of their examination for the purpose of changing 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 as well as in terms of defining the decision-making process of the competent authority based on the Expert Assessment of Environmental Load, without initiating the environmental impact assessment procedure.	2021			√
Education of expert departments, in cooperation with relevant ministries and RATEL, at the level of local self-governments on the impact of telecommunications devices on health and the environment and the application of special regulations relevant to the construction of radio base stations.	2021			√
Transition from a complicated administrative system of issuing necessary permits to a system of recording (notification) through a single point of contact in the form of a public portal and the establishment of a unified electronic procedure for reporting the installation of radio base stations and confirming compliance with prescribed requirements.	2019		√	
Consultations between the government and the industry regarding the model and timing of the public auction for the rights to use the radio frequency spectrum designated for the development of 5G technology – operators propose and advocate for a straightforward auction model aimed at selling those bands that are most needed from the perspective of the technologies in use and market demands, with a price that will facilitate the seamless development of new technology and its rapid implementation, in line with positive examples from the region.	2021	√		



Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Adoption of operators' comments on the draft Law on Amendments to the Law on Fees for the Use of Public Goods regarding the calculation method for fees for the use of spectrum designated for new technologies, in order to ensure additional investments and expedite the deployment and development of 5G technology.	2023			√
A more active role of the government aimed at changing public opinion about 5G technology.	2020			√
Adoption of bylaws in accordance with the new Law on Electronic Communications through a transparent procedure and involving the Foreign Investors Council and operators, aimed at defining an optimal regulatory framework that will contribute to the further development of the electronic communications market.	2023	√		
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			√
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.	2019		√	
Through the planned amendments to the Law on Copyright and Related Rights, establish a more transparent relationship between organizations and fee payers due to the identified risk of unlimited growth in flat-rate tariffs charged by the incumbent and the establishment of new organizations for the collective exercise of copyright	2023			√
The process of registration and deregistration with the "Do Not Call" Registry 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 registration and deregistration with the "Do Not Call" Registry is done in an electronic form, directly, without the participation of electronic communication operators.	2022	√		

Activities related to aligning the operating conditions of economic entities operating in the telecommunications industry with the new Law on Electronic Communications marked the year 2024. The most significant amendments pertain to the registration activities of prepaid users, which enhance security and prevent the misuse of electronic communication resources, as well as amendments that facilitate greater use of e-solutions/e-services in the field of telecommunications and improvements in communication

infrastructure. The new Law on Electronic Communications stipulates that all operators have equal access to existing infrastructure, while regarding infrastructure construction, significant activities have been undertaken to improve regulations governing the construction of radio base stations, alongside proposed amendments to specific bylaws on non-ionizing radiation in the Republic of Serbia, and their alignment with the regulations of the European Union .

## CURRENT SITUATION

The implementation of the new Law on Electronic Communications began on May 7, 2024, considering that economic entities were granted a 12-month period for aligning their operations with the new law from its effective date (May 7, 2023), while the relevant state authorities were granted a period of 6 to 18 months to adopt bylaws that would enable full implementation of the law and more detailed regulation of specific areas of operation.

During public consultations, a number of Rulebooks were discussed by RATEL, many of which had already been adopted by the time of writing this document.

In early January 2024, RATEL launched the "Do Not Call" Registry, aimed at recording mobile and landline customers who do not wish to receive promotional calls or messages. In such a case, customers are expected to contact their operator to have their phone numbers added to this Registry and traders and promoters are obliged to check the "Do Not Call" Registry before contacting any specific customer to ensure that the number is not on the list of numbers not to be called.

Throughout February 2024, the Ministry of Information and Telecommunications worked on the following tasks:

- Rulebook on the Technical Requirements for the Registration of End-Users of the Prepaid Service, which allows the registration of prepaid users at business outlets and other points of sale, as well as online through a basic-level electronic identification scheme. This Rulebook entered into force on February 10, 2024, and the obligation to register prepaid users in the manner defined by this Rulebook will start from February 10, 2025.
- A working group was established to prepare a Draft strategy for the development of the electronic communications system in the Republic of Serbia by 2027, including an Action Plan with the aim of preparing the Draft text of this strategy. The public hearing on the draft of this document was held from May 29 to July 2, 2024. The above draft document outlines objectives related to improving the electronic communication network, enhancing gigabit connectivity, establishing a supportive business environment, and mechanisms for the implementation of new solutions and technologies in the field of electronic communications. This Strategy

was adopted and came into force on August 19, 2024.

- A working group was formed to draft an Action Plan for implementing the Strategy for the Development of the Information Society and Information Security in the Republic of Serbia 2021-2026, covering the period 2024-2026. This Action Plan was adopted and came into force on August 19, 2024.
- Electronic communications operators participated in the work of the Special Working Group aimed at establishing a system for the transmission of emergency information to citizens in case of announcement or occurrence of a threat of a natural disaster or technical and technological accident, actively participating in preparatory activities and testing the system to ensure its efficient and timely operation upon launch, in accordance with the schedule as defined by the relevant state authorities.

In addition to these activities, the Ministry published a Proposal for a Regulation establishing a Programme for the Development of Broadband Communication Infrastructure in rural and underdeveloped areas of the Republic of Serbia for the period 2024-2026. The public hearing was held from May 22 to June 12, 2024. A total of 1,503 settlements in the Republic of Serbia with 225,180 households were identified where intervention through capital incentives is potentially justified, as fewer than 40% of these households have access to next-generation broadband, as well as 1,323 settlements with 46,416 households were identified as needing intervention that could also be realized through capital incentives. This Regulation was published in the Official Gazette on August 9, 2024.

Furthermore, the Ministry of Information and Telecommunications continued its work in 2024 on drafting the Law on Information Security to align with the EU Cybersecurity Act and the EU NIS-2 Directive, which envisages measures for a high common level of cybersecurity within the European digital single market. The draft Law on Information Security foresees the establishment of an Office for Information Security and the relocation of the national CERT from RATEL to the Office for Information Security, starting from January 1, 2026. The public hearing on the draft Law on Information Security was organized from July 3 to July 23, 2024, while the adoption of the above law is expected by the end of 2024.

The expert group for reducing administrative barriers to the installation of mobile telephony radio base stations, which commenced work in 2022 and consists of members from relevant ministries, local self-governments, technical faculties, RATEL, and electronic communications operators, was inactive in 2024, but the activities to improve the conditions for the installation of radio base stations were carried out outside this working group through work and collaboration between the Foreign Investors Council and relevant ministries.

The Foreign Investors Council, in cooperation with the School of Electrical Engineering, completed the Study for the improvement of the national legal and implementation framework in the field of non-ionizing radiation, which includes the definition of the proposed measures to reduce administrative barriers to the installation of public mobile telephony radio base stations in the territory of the Republic of Serbia. This study was presented to the relevant Ministry and RATEL. The study's conclusions indicate inconsistencies in regulations of the Republic of Serbia and the need for their improvement in line with regulations applicable in EU countries.

Joint activities have continued, and to address administrative barriers to the installation of public mobile telephony radio base stations, the Ministry of Construction, Transport, and Infrastructure in March 2024 adopted Guidelines for local self-governments, instructing competent authorities of local self-government units not to impose additional restrictions in their planning and urban development acts regarding the conditions and possibilities for the construction, i.e., installation of linear infrastructure facilities for cable and wireless electronic communications and facilities in their function (including radio base stations for mobile telephony), in relation to the conditions defined by special regulations governing the construction, i.e., installation of linear infrastructure facilities for electronic communications and facilities in their function.

Additionally, in February 2024, the Ministry of Environment drafted Instructions directing local self-government bodies not to require the operators to prepare an environmental impact assessment study when, based on the expert assessment of the environmental load, it can be determined that the level of exposure to non-ionizing radiation is below the prescribed limits for a mobile telephony radio base station for which an application has been submitted.

At the meeting held in August 2024 between the representatives of the relevant Ministry, the Ministry of Environmental Protection, and the Foreign Investors Council, an agreement was reached to amend bylaws governing the protection from non-ionizing radiation, i.e., harmonization of the relevant acts with comparative practices in the European Union and generally accepted international standards.

Regarding the implementation of the Law on Planning and Construction, delays in issuing location requirements and building permits for installing fiber optic cables have been observed with regard to the deadlines defined by regulations in the field of planning and construction, particularly in the City of Belgrade. This practice has a significant negative impact on slowing down the further development of electronic communication networks and enabling users to access services based on the application of modern technologies.

The adoption of the New Law on Electronic Communications has created conditions for the continuation of activities on the drafting of the Law on Broadband Communication Infrastructure, within the working group that includes representatives of the Foreign Investors Council and Operators. The enactment of this law will further improve the legal framework, which will ensure more efficient construction of the electronic communication infrastructure necessary for the further digital transformation of the Republic of Serbia. Enactment of the Law on Broadband Communication Infrastructure is another step towards bringing the operations closer to and harmonizing it with the European Union regulations, given that this Law in one part foresees the harmonization of operations with the Gigabit Infrastructure Act (2024/1209/EU) as well as Directive 2018/1972 on the European Electronic Communications Code.

The adoption of this law is expected in Q2 2025.

The Foreign Investors Council expresses its expectation that activities related to drafting this law will be conducted transparently and efficiently, aiming to create optimal conditions for sustainable construction and investment in telecommunications, particularly in 5G infrastructure across Serbia.

The Ministry of Information and Telecommunications (hereinafter: the Ministry) opened public consultations on September 13, 2024 regarding the draft rulebook on

issuing licenses for the use of radio frequencies based on public bidding<sup>1</sup>, which is the most important regulatory act for the introduction of 5G technology, which establishes the frequency bands, prices, coverage obligations, and other key requirements for frequency use. Although it was initially planned for the consultations to last one month, the Ministry extended this period by an additional 15 days upon request from the expert community, until October 29, 2024. The Council commends the transparency of the public bidding process, which, according to the draft rulebook, includes two phases: the first in 2025, focusing on renewing existing frequencies currently used for telecommunications services and parts of the frequency spectrum designated for 5G (700 MHz, 2600 MHz, and 3400-3800 MHz), and the second in 2026, concerning the remaining 5G spectrum. The Council expresses confidence that the spectrum auction will be realized as soon as possible, but no later than the first half of 2025.

The Foreign Investors Council of Serbia organized a panel discussion in March 2024 under the FIC Insight format, addressing the importance and impact of continuous investment in the mobile telecommunications sector on service quality for customers, as well as its role in the overall development of Serbia's economy and society. In addition to the representatives of the Foreign Investors Council and mobile operators, the panel participants included representatives of the relevant Ministry and RATEL. Based on an analysis of mobile phone market indicators, it was established that the development of electronic communication networks and infrastructure in the Republic of Serbia is at a high level, with the mobile telecommunications market experiencing stable growth and strong competition among operators, alongside decreasing data prices that are lower compared to most countries in Europe.

Joint meetings of operators signatory to the EU – WB Declaration on Roaming continued in 2024. According to RATEL data on user traffic from mobile operators operating in the Republic of Serbia, traffic has continuously increased over the past three years, both locally and while roaming, which is a direct result of reduced roaming service prices.

<sup>1</sup> Draft Rulebook on the minimum requirements for issuing individual licences for the use of radio frequency spectrum based on the conducted public bidding procedure in the frequency bands 694-790 MHz, 880-915/925-960 MHz, 1710-1780/1805-1875 MHz, 1920-1980/2110-2170 MHz, 2500-2690 MHz, and 3400-3800 MHz.

## POSITIVE DEVELOPMENTS

The drafting of bylaws following the adoption of the new Law on Electronic Communications takes place in a transparent process, and the Foreign Investors Council welcomes the efforts of RATEL and the Ministry to ensure that the public consultation process involves two-way communication and that the Report on completed public consultations contains an analysis of the submitted comments on the draft documents with detailed explanations, which contributes to a higher quality approach and understanding of the regulation of a particular area.

The inclusion of the Foreign Investors Council in the work of the working group for the development of the Action Plan for the implementation of the Strategy for the Development of the Information Society and Information Security in the Republic of Serbia 2021-2026, for the period 2024-2026, as well as the working group for the development of the Draft Strategy for the Development of the Electronic Communications System in the Republic of Serbia until 2030 with an Action Plan, contributes to transparency and a higher quality of these documents.

The support of the relevant Ministry for the activities of the Foreign Investors Council and operators in improving regulations in the field of environmental protection is significant for enhancing the process during the construction of radio base stations. In this regard, we welcome the adoption of the Instruction on the application of the provisions of Articles 8-10 of the Law on Environmental Impact Assessment ("Official Gazette of RS", No. 135/04 and 36/09) in relation to Article 6 of the Regulation on Sources of Non-Ionising Radiation of Special Interest, Types of Sources, Method and Periods of their Examination ("Official Gazette of RS", No. 104/09) for the installation of mobile telephony radio base stations. This Instruction provides more detailed guidance on the organization of work and the methods of operation of employees in the local self-government units, such that in cases where a professional assessment of the environmental load indicates that the level of exposure to non-ionising radiation is below the prescribed limits for the mobile telephony radio base station for which an application has been submitted to the competent local self-government body, they should not require the operator to prepare an environmental impact assessment study. Additionally, we welcome the support of the relevant Ministry to the activities of the Foreign Investors Council aimed at drawing the attention of the Ministry of Environmental Protection to the fact that it is necessary to amend bylaws governing the

area of non-ionising radiation, i.e., to harmonize these acts with the comparative practice of the European Union and generally accepted international standards.

The Foreign Investors Council welcomes the adoption of the Regulation of the Government of the Republic of Serbia on amendments and supplements to the Regulation on the detailed regulation of the conditions that must be met by electronic identification schemes for particular levels of reliability. The Regulation introduced the possibility of verifying identity for issuing means of electronic identification of basic reliability level using remote video identification. Furthermore, the Regulation expanded the list of public documents based on which identity verification is carried out for issuing means of electronic identification, so that it includes public documents for foreign nationals, thereby harmonizing this bylaw with the provisions of the Law on Electronic Communications, which prescribes the mandatory registration of end users of prepaid services.

Additionally, the Foreign Investors Council welcomes the fact that the Government of the Republic of Serbia adopted two strategic documents in August 2024, namely the Strategy for the Development of the Electronic Communications System for the period up to 2027, which establishes conditions for the construction of a safe, reliable, and accessible infrastructure for electronic communications, and the Action Plan for the implementation of the Strategy for the Development of the Information Society and Information Security in the Republic of Serbia from 2021 to 2026, for the period from 2024 to 2026, which aims to ensure a developed information society and e-government serving citizens and the economy, as well as to enhance the information security of citizens, public administration, and the economy.

With the launch of the “Do Not Call” Registry, progress has been made in improving the control of direct marketing activities and the protection of consumer personal data. Traders are now obliged to check the “Do Not Call” Registry before contacting users to see if a particular phone number is on the list of numbers not to be called. Operators who are members of the Foreign Investors Council have provided their customers with a simple and quick registration process in the registry, in both electronic and traditional formats.

## REMAINING ISSUES

The issue of installation of radio base stations and the issues of applying environmental protection regulations is still a sig-

nificant barrier in the construction of telecommunications infrastructure and it is necessary to intensify activities based on the conclusions of the Expert Group for the reduction of administrative barriers to the installation of mobile telephony radio base stations and start the implementation of the reform of this area as soon as possible, which will enable more efficient installation of base stations as a prerequisite for the implementation of 5G technology in the Republic of Serbia.

It is necessary to continue activities related to the drafting and adoption of the Law on Broadband Infrastructure, which should be harmonized with the Gigabit Infrastructure Act (2024/1209/EU), as well as with Directive 2018/1972 on the European Electronic Communications Code), which will specifically regulate issues such as a simplified procedure for granting all necessary licences, coordination of ongoing and planned construction works and publication of data on works in real time through a single information point (a public portal under the jurisdiction of public sector bodies); regulating the operators’ right of access to publicly owned facilities and the conditions of use of public facilities and public infrastructure for the needs of accommodating the telecommunications infrastructure (e.g., short-range wireless access points (WAS/RLAN network); as well as to define in detail the rights of use and access to the infrastructure. These activities are expected to be implemented by the end of 2024, bearing in mind that this would create the conditions for additional investments in the field of telecommunications and at the same time ensure quality Internet access for all citizens in our country.

Furthermore, certain activities need to be undertaken in the upcoming period to address the existing problems identified during the issuance of location requirements and building permits for the installation of fiber optic cables, especially in terms of exceeding the deadlines defined by regulations in the field of planning and construction.

An important issue that is increasingly emerging with the establishment of new organisations and the activities of existing ones is also the disproportionately high fees charged by organizations for the collective protection of copyrights to the telecommunications industry. In this regard, we would like to stress that the Draft Law on copyright and related rights does not contribute to the creation of conditions for a better balance of power between organizations and fee payers and that there is a risk of further unlimited growth of growth in flat-rate tariffs charged by the incumbent and the establishment of new organizations for the collective exercise of copyright.

## FIC RECOMMENDATIONS

- Excluding 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.
- 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 installed in relation to neighboring buildings, given that there is no comparative practice of EU countries for this, nor grounding in regulations and science.
- Amendments to the Rulebook on the limits of exposure to non-ionizing radiation in order to harmonize the reference threshold levels with the ICNIRP recommendations.
- Amendments to the Rulebook on sources of non-ionizing radiation of special interest, types of sources, manner and period of their examination for the purpose of changing 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 as well as in terms of defining the decision-making process of the competent authority based on the Expert Assessment of Environmental Load, without initiating the environmental impact assessment procedure.
- Education of expert departments, in cooperation with relevant ministries and RATEL, at the level of local self-governments on the impact of telecommunications devices on health and the environment and the application of special regulations relevant to the construction of radio base stations.
- Establishing a unified electronic procedure for reporting the installation of radio base stations and confirming compliance with prescribed requirements, as well as creating a single point of contact in the form of a public portal for all relevant stakeholders.
- Conducting a public auction of radio frequency spectrum to renew the rights to use existing spectrum and to acquire new radio frequency spectrum for 5G technology by no later than the end of the first half of 2025. Operators propose and advocate for a straightforward auction model, with a price that will facilitate the seamless development of new technology and its rapid implementation, in line with positive examples from the region.
- Continuing the existing positive practice of involving the Foreign Investors Council and operators in the drafting of bylaws in accordance with the new Law on Electronic Communications through a transparent procedure, aimed at defining an optimal regulatory framework that will contribute to the further development of the electronic communications market.
- Adoption of the new Law on Broadband Infrastructure (aligned with the Gigabit Infrastructure Act (2024/1209/EU), as well as with Directive 2018/1972 on the European Electronic Communications Code, which will define in detail the rights to use and access the infrastructure.

- 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
- Through the planned amendments to the Law on Copyright and Related Rights, establish a more transparent relationship between organizations and fee payers due to the identified risk of unlimited growth in flat-rate tariffs charged by the incumbent and the establishment of new organizations for the collective exercise of copyright.

## DIGITALIZATION AND E-COMMERCE

2.29

### WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
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.	2021		√	
Enable the development and roll-out of the second generation video identification encompassing biometric safeguards within the client validation framework. This move aims to bolster client security and catalyze the development of digitalization in Serbia.	2020			√
Enable the exchange of data between banks by the roll-out of open banking / banking mobility concept, underscored by the significant and central role of the National Bank of Serbia. Such an initiative would let bank customers swiftly and effortlessly access necessary services, amplifying market competition and resulting in a holistic enhancement of services attuned to client necessities.	2023	√		
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.	2021	√		

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
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.	2021		√	
In the implementation of the Law on Electronic Communications, the Rules of Procedure on prepaid registration of mobile users should enable simple electronic registration of customers.	2021	√		
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.	2022		√	

## CURRENT SITUATION

Over the past year, artificial intelligence has maintained its position as the most important topic in the field of digitalization. On the technological front, we're seeing the rise of multimodal artificial intelligence, enabling users to interact with AI through a combination of text, images, and voice in a unified format, which marks a major step forward from earlier models that were limited to text-based interactions. This brings AI a step closer to replicating the human ability to process information through multiple senses at the same time.

In the field of regulation, the European Union adopted the AI Act in 2024 – the most comprehensive law in the field, which is based on assessing the risks of AI systems in relation to fundamental rights, aiming to promote responsible and transparent AI practices across the EU. The regulation defines 4 levels of risk for AI systems: negligible (e.g., personalized offers in e-commerce), limited (e.g., chatbots), high (e.g., systems used in transportation or healthcare), and unacceptable (e.g., social scoring systems). Higher-risk comes with stricter obligations, along with penalties, which in case of use of prohibited systems with unacceptable risk could lead to fines of up to 7% of a company's total global annual revenue.

Another key aspect of this topic is sustainability and the relationship between AI and energy and environmental concerns. On one hand, AI use (data centers, cloud computing, etc.) consumes significant amounts of electricity. On the other hand, AI models have the potential to optimize energy consumption. For instance, in telecommunications, AI can automatically shut off parts of base stations during low-traffic periods.

Over the past year, the trend of increasing reliance on information and communication technologies in daily life and business has continued to grow. According to the Republic Statistical Office, the number of households with internet access in Serbia rose by 3,2% compared to the previous year, now reaching 88,8% . In terms of online commerce, 51,8% of citizens made purchases or orders online in the past 3 months, which is a 3.2% increase. The most common e-commerce transactions remain the purchase of clothing and sports equipment.

In the past three editions of the White Book, we highlighted the continued growth of online commerce since the pandemic period. A similar increase was recorded last year – Data from the National Bank of Serbia shows that in 2023, the number of dinar-denominated payment transactions made by card online rose by 33.3% compared to 2022, while the value of these transactions grew by 40.9% compared to the previous year. In euro-denominated transactions, during the same period, the number of transactions increased by 54,7%, while their value rose by 42.2% . According to the same report, data from the first 2 quarters of 2024 shows similar year-on-year growth in the number and value of transactions for both currencies.

In the summer of 2024, the Ministry of Science, Technological Development, and Innovation launched a public consultation on the Draft Strategy for the Development of Artificial Intelligence in the Republic of Serbia for the 2024-2030 period. The strategy recognizes the significance of AI across all sectors of society, including its role in government administration and the public sector, with a focus on its use in education and scientific research. The strategy also underscores the importance of international cooperation, ethical regulation, and further investment in infrastructure, which is now



centered on the state data center and the national AI platform (supercomputer). According to earlier announcements from the Government and the Office for IT, one of the priorities will be the development of artificial intelligence and Electronic Government services in the healthcare sector, with the goal of facilitating the creation of eHealth Record (eKarton), eReferral (eUput), and eSick Leave (eBolovanje) services. These services are intended to make the healthcare system faster and more accessible.

Additionally, the Government has established a working group tasked with drafting the Draft Law on Artificial Intelligence.

In the previous period, work began on amending the Law on Electronic Government, which, among other matters, will regulate the concept of smart cities as well as the use of cloud technologies in public administration.

In the upcoming period, amendments to the Law on Electronic Document, Electronic Identification and Trust Services in Electronic Business are also expected, aiming to align this legislation with the EU's eIDAS 2 regulation. This regulation introduces digital wallets for secure storage of certificates and digital identities, as well as broader application of electronic identification schemes in both the private and public sectors.

As of September 2024, the number of citizens with accounts on the Electronic Government eUprava portal has reached 2.3 million. This increase is partly due to the growing number of services supported by the Electronic Government eUprava portal, which continue to expand, making it easier for citizens to access a wide range of services in both the public and private sectors.

## POSITIVE DEVELOPMENTS

The Rulebook on Prepaid Registration for mobile numbers has established the possibility of registration using basic-level electronic identification schemes. This will enable a significant portion of the millions of prepaid SIM cards to be registered remotely, without requiring users to visit kiosks or mobile operators' offices, marking one of the largest opportunities for the use of digital identity in the business sector. The Ministry of Information and Telecommunications has also amended the Regulation on closer conditions that the electronic identification schemes must fulfill for certain levels of reliability. The main changes pertain to the ability to verify identity through video identification mechanisms,

and this change certainly contributes to legal security. Additionally, the range of documents for foreign nationals that can be used to apply for electronic identification schemes has been expanded, resolving discrepancies between the Regulation and the Rulebook on Prepaid Registration.

Regarding Electronic Government services, as of 2024, all businesses in Serbia have been assigned a unique eMailbox (eSanduče) linked to their business address registered with the Business Registers Agency (APR). A notification of the delivery of an electronic document to the eMailbox is sent to the registered email address of the business, after which the document can be downloaded from the Electronic Government portal (eUprava).

As for new services, last year, the Ministry of Internal Affairs launched 8 new services, mostly related to declarations and consents concerning residence and domicile.

While healthcare remains a key focus of government initiatives in the AI domain, 2024 also saw the beginning of the migration of software systems containing patient health data to the State Data Center, ensuring that this data will be properly secured in accordance with all security standards. We hope that this initiative will continue, as it concerns particularly sensitive personal data.

In last year's edition of the White Book, we pointed out issues with regulations on archiving, specifically with the Regulation on Uniform Technical-Technological Requirements and Procedures for Storing and Protecting Archival Material and Documents in Electronic Form, which was adopted based on the Law on Archiving and came into effect on January 1, 2024. This regulation introduced a costly and complex process for archiving electronic documents, which requires, among other matters, that each individual document be sealed with a qualified electronic time stamp provided by an authorized trust service provider. The anticipated costs of implementing an electronic archiving system and applying a qualified time stamp to each document threatened to approach or even exceed the costs of managing a physical paper archive. In these circumstances, the motivation for businesses to transition from paper to electronic business was called into question. However, in the final days of 2023, the regulation was amended so that only documents subject to permanent retention are required to go through this process, including the qualified time stamp, while the integrity of documents stored for a limited time will be confirmed more simply, using a qualified electronic signature.

Since January 1, 2023, the full implementation of eInvoices (eFaktura) in the business sector has replaced paper invoices through the use of the Ministry of Finance's SEF system, significantly reducing administrative burdens. In addition to this advantage, the digitization of invoice transactions has led to increased transparency in both retail and wholesale transactions, thereby reducing opportunities for the gray economy. Moreover, it is expected that this will streamline the VAT refund process and reduce the costs of invoice storage, as they will now be stored electronically instead of on paper. A positive outcome of the introduction of eInvoices (eFaktura) is the significant increase in the number of users of qualified electronic certificates in our country since the system was launched.

The Government of the Republic of Serbia and the Office for IT and Electronic Government, as the central body responsible for coordinating Electronic Government activities, managing public IT infrastructure, and ensuring information security, continue to implement the digital agenda.

Among the new services introduced is the "Freelancers" portal, which allows individuals earning income from providing services domestically and abroad to easily submit tax returns. It is estimated that the number of freelancers in Serbia is around one hundred thousand. Additionally, an e-service called "I Protect You" (Čuvam te) has been introduced, allowing for the reporting of violence. This service connects schools, social work centers, police stations, and healthcare institutions, all with the goal of preventing violence among children and minors. Lastly, in 2023, services such as eConsent (eSaglasnost) for issuing documents for children, residence registration, eCitizenship (eDržavljanstvo), and obtaining extracts from the civil registry were also introduced.

As part of the regional Open Balkan initiative, a service related to the "Open Balkan Identification Number" was made available on the Electronic Government eUprava portal. This allows Serbian citizens with a digital identity on the portal to generate this identifier, which can be used for Electronic Government services in North Macedonia and Albania. Conversely, citizens of these countries with the Open Balkan Identification Number can access the labor market in Serbia.

In recent years, some key state institutions and public enterprises, such as the Real Estate Cadastre (RGZ) and Electric Power Industry of Serbia (EPS), have been the targets of hacker attacks, which have caused significant operational issues and disrupted service delivery to citizens. By

depositing EPS's source code in the State Data Center, a positive step has been taken to ensure that EPS now has a secure backup of its information systems, which will allow for business continuity and better responses in case of new unforeseen circumstances.

In the financial services sector, the trend of further developing digital services and regulatory solutions continues, supporting further modernization and digitization. More details can be found in the articles "Payment Services" and "Consumer Protection in Financial Services" in this edition of the White Paper. Here, we will highlight a few key novelties.

During the preparation of this year's edition of the White Book, draft amendments to the Law on Protection of Financial Services Consumers were being prepared, marking another step toward digitalization. In line with market needs, the limit for concluding distance contracts has been increased from 600,000 dinars to 1,200,000 dinars for loans and up to 2,400,000 dinars for deposits.

At the end of July, amendments to the Law on Payment Services were adopted, aimed at improving the security, efficiency, and reliability of payment services, aligning with European standards, and providing additional protection for consumers. Of particular note is the introduction of the concept of open banking, which enables greater integration and interoperability between different payment service providers. The amendments to the law introduce stricter security measures, including strong customer authentication, which requires the use of at least two of the following three elements: knowledge, possession, and inherence. These amendments are expected to significantly improve the existing legal framework and enable further development and modernization of payment services in Serbia.

In previous editions of the White Book, special emphasis was placed on the digitization of promissory notes, and the Central Registry of e-Promissory Notes for legal entities is expected to begin operations soon.

## REMAINING ISSUES

After the successful implementation of the "My Data for My Bank" (Moji podaci za moju banku) project, based on data exchange between the public and private sectors, the Telecommunications and Digital Economy Committee sees opportunities for further digitalization of business processes through similar initiatives.

The procedures in public administration have been significantly accelerated by connecting state institutions and enabling automatic document exchange. We believe that similar cooperation between banks, mobile operators, insurance companies, and other economic entities with state bodies could contribute to greater efficiency and security in business operations. Examples of such potential include data exchange with the Tax Administration, the Social Security Register, and the Credit Bureau to assess actual creditworthiness and prevent fraud, verifying the validity of ID cards via the Ministry of Internal Affairs (MUP) when concluding contracts, or using the Electronic Government's eMailbox (eSanduče) for document delivery.

In the last five years, significant progress has been made in terms of regulations governing Electronic Business. However, regulations in other areas often act as barriers to further business digitalization. These regulations are difficult to change, as they are often based on the mistaken belief that paper is a safer and more transparent form of documentation than electronic documents.

In conclusion, we note that considerable effort and progress have been made to enable further digitalization of the economy and public sector in recent years, and there is a clear willingness from all state institutions to continue in this direction.

## FIC RECOMMENDATIONS

- Increase information security within public administration and state-owned enterprises to ensure the uninterrupted functioning of these entities and prevent the misuse of citizens' data.
- Enact a new Law on Information Security and align it with the EU's NIS2 Directive.
- Pass a Law on Artificial Intelligence that will regulate the application of this technology in a way that promotes innovation while respecting human rights and freedoms. Establish mandatory risk assessment mechanisms and prior testing of systems used in critical infrastructure sectors, as well as in sensitive areas such as healthcare.
- Enable the development and introduction of second-generation video identification through biometric protection as part of client verification processes, with the goal of further improving client security and fostering the continued development of digitalization in Serbia.
- Reduce the costs of electronic archiving for business documentation by amending regulations to exempt most business documentation, as it is not relevant to culture, art, science, or other categories defined by the Law on Archival Materials and Archival Activities.