

WHAT G-MNT PREPARES

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SURVEY – REPUBLIC OF SERBIA

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Dear Users,

The news that Serbia has applied for Russian credit support towards overcoming the consequences of the world financial crisis was announced on the publishing date of this issue of the Newsletter. That is yet another confirmation of the fact that the country is having serious problems and that its macroeconomic stability has been shaken up, along with a considerable decline of economic activity.

The uncertainties and fear of losing jobs are manifest increasingly. The adoption of a large number of laws and the intensified making of threats of arresting the parties to corruption have characterised the Government's activity over the last two months. Political topics have been pushed aside, which is also corroborated by the apathy shown by voters at the repeated elections in three municipalities. The Government is focusing on economic issues and legislation increasingly, as it can be seen from the best portion of this issue

With best regards,
SURVEY-RS Editors

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als for new laws. At the beginning of this year, the Rules of Procedure were amended, which prevented further obstruction by the opposition and the work of the Government has become far more efficient.

A large number of adopted laws is part of the agenda in the process of accession, i.e. harmonization of the Serbian legislation with European Union *acquis communautaire*. This particularly refers to 17 laws regulating the area of environment protection and 15 laws in the area of agriculture.

(See List of Laws on page 3)

■ ECONOMIC POLICY MEMORANDUM FOR YEAR 2010 ADOPTED

The Serbian Government adopted on 4 June the first version of the Economic Policy Memorandum for the period 2010-2012, expected to be finalised in autumn. In August, macroeconomic indicators will be analysed again with the mission of the IMF visiting Serbia in that period.

The projections are that the budget deficit, expected to reach 3% of GDP this year, will fall to 2.6 % of GDP in 2010 and successively to 1.2% in 2012.

According to the official announcement, the Government also adopted an integral set of measures for mitigation of crisis effects, by which the amount of financial support granted to the economy (loans with subsidised interest rates) for 2009 is to reach EUR 2 billion (RSD 190 billion), plus EUR 480 million of credit support granted by international financial institu-

tions. As already announced, on 12 May 2009, the IMF approved RSD 2.942 € billion for macroeconomic assistance to Serbia in 2009 and 2010.

■ IN FIVE MONTHS ADOPTED MORE LAWS THAN IN TWO YEARS

In the period January - May 2009, the National Assembly adopted even 65 laws in the area of domestic law (excluding a few tens of laws on ratification of international treaties, agreements and conventions). It is more than in the previous two years when only 68 laws were passed, considering two elections cycles in that period, i.e. January 2007 and May 2008. From the elections, held on 21 May 2008, until the end of that year, only 28 laws were adopted (excluding the laws on ratification of international treaties, agreements and conventions).

The reason for such deliberation does not only lie in obstruction by the opposition and inappropriate Rules of Procedures of the Assembly, but slow activities of the Government in terms of preparation of propos-

■ NOTHING NEW ABOUT TAXES

Since the beginning of 2009, due to the budget deficit, the Government of the Republic of Serbia rose excise taxes on fuels and tobacco twice and some individual income taxes, property taxes and taxes on use, possession and holding of goods. On these occasions, bigger changes in tax system were also announced, concerning primarily larger scope and progressive taxation. Possibility of increasing Value Added Tax is also left, as provided for by Memorandum concluded with the IMF. More precise concept of tax reforms has not yet been publicized. → (page 2)

*MORE THAN 50 NEW
LAWS ADOPTED*

(page 3)

→ (continuation from p. 1) In business community, it is widely believed that the Government is getting closer, due to the fiscal deficit, to the decision to raise the present 18% VAT rate. However, minister for economy, Mr. Mladen Dinkić, stated in early June that it was not going to happen.

■ *NEW LAW ON SPATIAL PLANNING AND CONSTRUCTION TO BE ADOPTED SOON*

At the beginning of May, Draft Law on Spatial Planning and Construction that is to replace the previous Law on Planning and Construction, adopted in 2003. This Law did not manage to solve ample accumulated problems and chaos in the area of urban planning and construction from 1990s, including legalisation of the buildings erected without building permit.

Procedure of building permit issuance will be shorter and simplified, which will in turn bring the construction land price down. Today, nearly 40% of the apartment price in Belgrade accounts for construction land development costs.

According to the Draft Law, building permits will be issued exclusively on the basis of planning documents, which will reduce possibility of corruption, as well as possibility for municipalities to bring arbitrary decisions. Draft Law provides for that municipalities should adopt, within two years, planning documents, based on which permits will be issued, whereas municipalities failing to do so will be subject to strict penalties.

Minister of Environment and Spatial Planning has mentioned that it is planned to allow "justified" legalization of facilities built without building permit until 2003. He pointed out that it means that citizens who built residences for themselves would be able to legalise such facilities by simple procedure, at low compensation, while those citizens who built residential premises for sales would have to pay higher fees. Since the adoption of the previous law in 2003, only about 10% of 150,000 legalisation requests were solved.

The new Law also provides for certain constraints for legalisation of facilities built in the natural parks and transport corridors.

If the investor who has bought a facility in the process of company privatisation wishes to change the purpose of the land (for example, turn industrial estate into city construction land), he will have to pay to the state the real price of such construc-

tion land minus his investment costs. The revenues earned would be used for construction of infrastructure and restitution and/or indemnification of actual owners of the nationalised property.

■ *SOON JOINT COMPANY FOR CONSTRUCTION OF SOUTHERN STREAM*

Managing Director of "Srbijagas" Dušan Bajatović announced, at the economic summit in Petersburg, that "Srbijagas" and Russian "Gazprom" were to form by early July a joint company for construction of the stretch of the gas pipeline "Southern Stream" through Serbia.

No details of the so far negotiations have been publicized, but it is known that the new joint company shall have its head office in Switzerland. The route of the pipeline through Serbia is not known. It is rather disputable matter in the Serbian business and political circles.

■ *MEDIA FINANCIAL ASSISTANCE ANNOUNCED*

After long debates and considering the fact that the revenues of the media, especially from advertising, have been drastically reduced, the Government finally announced, after its session held on 4 June, the programme of media assistance. No details have been yet disclosed, since the government officials have become more careful in giving any promises involving support from the budget that is recording a chronic deficit.

■ *RUSSIANS SEEK HIGHER PRICE OF OIL PROCESSING*

Russian company "Gazpromneft", which became a majority owner of Serbian Oil Company in December 2008, requested the Government's approval for increase in crude oil processing price by 2.5%, justifying such request by the fact that the price of USD 29 per ton has not changed since 2005. This request coincides with the dispute about NIS balance sheet, since there are three versions of the 2008 financial statement. The last report of the audit company KPMG identified loss of NIS in 2008 of RSD 8 billion or about EUR 85 million. The Government announced a super audit.

Oil importers could ally with the Government not to allow increase in price of oil processing price as NIS holds a monopoly on crude oil processing the end of 2010.

■ *ADOPTION OF REGIONAL DEVELOPMENT LAW ANNOUNCED*

The Serbian Government adopted, in early June, draft Law on Regional Development, which envisages the formation of seven economic regions: Vojvodina, Kosovo and Metohija, Belgrade, West, East, Central and South. An administrative division of the country has not been defined, but rather units that would enable steady development and reduction of existing disparities. Besides its primary goal, that is, reducing differences in regional development of the Republic, one of the goals of this law is to open the possibility for Serbia to compete for EU development funds.

■ *NEW SET OF LAWS OF THE MINISTRY OF JUSTICE*

At the end of May, the Ministry of Justice initiated public debate on the working version of the Law on Amendments to the Law on Civil Procedure. The Working Group, set up by this Ministry, also prepared the text of the Working Version of the Law on Ownership and Other Real Rights.

Drafts of laws amending Law on Enforcement Procedure, Law on Mediation, Private International Law, Law on the Judicial Academy, Law on Advocacy and Law on Public Notaries are under preparation. Drafting of the Law on Amendments to the Law on Out-of-Court Proceedings and Law on International Legal Assistance in Civic Matters is to start soon.

Finally, the Ministry of Justice prepared, after lengthy public debate and expert consultations, Draft Law on Amendments to the Criminal Procedure Code.

■ *NEW LAW ON ASSOCIATIONS*

The Government of the Republic of Serbia adopted, at the end of May, a draft of the long ago announced Law on Associations, prepared by the Ministry of State Administration and Local Self-Government.

This Law provides, for the first time, a complete legal framework for creation, status and operations of foreign associations. One important novelty of the Law is the proposal to reduce the number of founders needed to establish an association from the so far "10 workers and citizens" to three capable private persons or legal entities. The Draft Law prescribes that ban of work of an association shall be decided by the Constitutional Court, but only in the limited number of cases defined by the Constitution or laws. This area is presently regulated by 1982 and 1990 laws that have been largely out of date.

LAWS ADOPTED BY THE SERBIAN ASSEMBLY IN APRIL AND MAY 2009*

	Law	
	Adopted on	Published in the <i>Sl. glasnik RS</i>
Law on the Welbeing of Animals	29. V 09	41/09
Law amending the Foreign Trade Law	29. V 09	41/09
Wines Law	29. V 09	41/09
Law amending the Agricultural Land Law	29. V 09	41/09
Road Traffic Safety Law	29. V 09	41/09
Law on the Protection of the Plant Variety Improvers' Rights	29. V 09	41/09
Law Amending the Broadcasting Law	29. V 09	41/09
Law on General Product Safety	29. V 09	41/09
Law on the Health Of Plants	29. V 09	41/09
Law on Public Storage Facilities for Agricultural Produce	29. V 09	41/09
Law on Electronic Trading	29. V 09	41/09
Law Prohibiting the Manifestations of Neo-nazi or Fascist Organisations and Associations and the use of Neo-nazi or Fascist Symbols and Signs	29. V 09	41/09
Law on the Means of Plant Nutrition and Soil Improvers	29. V 09	41/09
Law on Brandy and Other Spirits	29. V 09	41/09
Law on Ethanol	29. V 09	41/09
Law on Food Safety	29. V 09	41/09
Law on the Livestock Raising	29. V 09	41/09
Law on the Means of Plant Protection	29. V 09	41/09
Law on the Genetically Modified Organisms	29. V 09	41/09
Law on Agriculture and Rural Developmen	29. V 09	41/09
Law Amending the Law on the Forest Tree Nursery Stock	29. V 09	41/09
Law on Employment and Insurance Against Unemployment	13. V 09	36/09
Law Amending the Chamber of Commerce Law	13. V 09	36/09
Law on the Professional Rehabilitation and Employment of Persons with Disabilities	13. V 09	36/09
Law on Technical Requirements for Products and Compliance Appraisal	13. V 09	36/09
Tourist Trade Law	13. V 09	36/09
Foreign Trade Law	13. V 09	36/09

	Law	
	Adopted on	Published in the <i>Sl. glasnik RS</i>
Law Rescinding the Law on the Foreign Trade Insurance and Financing Fund	13. V 09	36/09
Standardisation Law	13. V 09	36/09
Law on Chemicals	12. V 09	36/09
Law on Biocidal Products	12. V 09	36/09
Law Amending the Law on the Assessment of Impacts on the Environment	12. V 09	36/09
Law on Packaging and Packaging Waste	12. V 09	36/09
Law Amending the Environmental Protection Law	12. V 09	36/09
Law on the Protection and Sustainable Exploitation of Fish Stock	12. V 09	36/09
Nature Protection Law	12. V 09	36/09
Air Protection Law	12. V 09	36/09
Law on the Republic of Serbia Development Fund	12. V 09	36/09
Law on the Protection against Noise in the Environmen	12. V 09	36/09
Law on the Protection against Ionising Radiation and Nuclear Safety	12. V 09	36/09
Waste Management Law	12. V 09	36/09
Law on the Protection against Non-ionising Radiation	12. V 09	36/09
Political Parties Law	12. V 09	36/09
Law on the Appearance and Use of the Coat of Arms, Flag and National Anthem of the Republic of Serbia	11. V 09	36/09
Law Prohibiting the Development, Production, Storage and Use of Chemical Weapons and on their Destruction	11. V 09	36/09
Law Amending the Republic of Serbia 2009 Budget Law	29.IV 09	31/09
Law Amending the Law on the Taxes on the Use, Keeping and Carrying of Property	29.IV 09	31/09
Law Amending the Individual Income Tax Law	29.IV 09	31/09
Law Amending the Excise Tax Law	29.IV 09	31/09
Law Amending the Law on the Stay and Writing Off the Debts Based on Obligatory Health Insurance Contributions	29.IV 09	31/09
Law Amending the Court Stamp Duty Law	29.IV 09	31/09
Law on Temporary Reduction of Salaries/Pays, Net Benefits and other Receivables in Government Administration and Public Sector	29.IV 09	31/09

* The laws adopted from January to March are listed in the previous 2009 issues.

Note: This list does not include the laws ratifying international agreements and conventions.

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