

**STABILISATION AND ASSOCIATION
BETWEEN
THE EUROPEAN UNION
AND SERBIA**

The Stabilisation and Association Council

Brussels, 18 December 2014

EU-RS 3804/14

COVER NOTE

Subject: Second meeting of the EU-Serbia Stabilisation and Association Council
(Brussels, 17 December 2014)

Delegations will find attached the position paper of European Union tabled on the occasion of the 2nd meeting of the Stabilisation and Association Council between the European Union and Serbia.

**SECOND MEETING OF THE EU-SERBIA
STABILISATION AND ASSOCIATION COUNCIL**

Brussels, 17 December 2014

Common Position of the European Union

The European Union welcomes the holding of the second meeting of the EU–Serbia Stabilisation and Association (SA) Council. The EU considers that this meeting of the SA Council provides a timely opportunity to review Serbia's progress in the preparations for membership, following the publication in October 2014 of the Commission's Progress Report on Serbia.

Relations under the Stabilisation and Association Process

Accession strategy, in particular in the light of the Commission's 2014 Progress Report

The EU recalls that on 28 June 2013, the Council of the European Union endorsed the Commission's assessment that Serbia had achieved the necessary degree of compliance with the membership criteria, and in particular the political criteria set by the Copenhagen European Council in 1993, to start accession negotiations. Following endorsement of this decision by the European Council, accession negotiations were opened with Serbia on 21 January 2014. The decision to open negotiations was reached due to Serbia's progress in the reforms and its continued commitment to the normalisation of its relations with Kosovo*. EU accession negotiations with Serbia are now underway.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/99 and the ICJ Opinion on the Kosovo declaration of independence.

The European Union welcomes that the analytical examination of the EU *acquis* (screening process) is proceeding according to plan and is expected to be finalised in the first half of 2015 and commends the good level of preparedness of the Serbian negotiation team. The screening process began in September 2013 with the crucial rule of law Chapters 23 – Judiciary and fundamental rights - and 24 – Justice, freedom and security. The EU recalls that in order to ensure an overall balance in negotiations, progress under these chapters will need to be made in parallel with progress in negotiations overall. Following endorsement of the recommendations in the Screening Reports for Chapters 23 and 24 by the EU Member States, Serbia is preparing action Plans for both Chapters. Following endorsement of the recommendations in the Screening Report for Chapter 32 - Financial control - by the EU Member States, Serbia submitted its negotiating position in July and the Commission tabled a draft Common Position (DCP) on 16 September. The EU looks forward to the opening of first Chapters.

The EU welcomes the adoption by the Serbian Parliament of a resolution in December 2013 aiming at its close involvement in the accession negotiations process, together with other stakeholders, including civil society. It welcomes the setting up by the Serbian government of a National Convention on the European Union as a platform for cooperation with civil society in the accession negotiation process in June 2014. The EU stresses the importance of further strengthening the inclusiveness of the accession negotiations in order to achieve the necessary progress.

The EU encourages Serbia to focus on the fundamentals first, in particular on the rule of law, public administration reform and economic governance. It is also crucial for Serbia to continue implementing in good faith all agreements reached in the dialogue with Pristina. The EU welcomes Serbia's ongoing commitment to continuing the dialogue. In this respect, the EU stresses that in line with the negotiating framework, the issue of normalisation of relations between Serbia and Kosovo will be addressed under chapter 35: "Other issues" as a specific item, which should be tackled early in and throughout the accession negotiations process and, in duly justified cases, in other relevant chapters.

The EU also notes that Enlargement has become a powerful instrument of the Union's external policy. Developments beyond the EU's borders underline the importance of further deepening cooperation on foreign policy issues. The EU underlines the importance of Serbia progressively aligning with the EU's foreign policy positions. It also underlines the importance of the common security and defence policy, and takes good note of Serbia's participation in the European Defence Agency's programmes.

Political criteria

The European Union notes that Serbia has continued to sufficiently meet the political criteria. The EU delegation will refer to the 16 December 2014 Council conclusions on Enlargement.

The EU notes that early parliamentary elections in March confirmed the European integration aspirations of the country. The EU invites the Serbian government to continue paying attention to improving inclusiveness and transparency of the reform process. The EU calls on Serbia to limit recourse to urgent parliamentary procedure to cases where it is strictly necessary, and to continuously acknowledge the role of independent regulatory bodies and follow up their recommendations as well as to strengthen public participation and consultation in the decision-making process.

The EU notes that Serbia has taken stock of the significant challenges its judiciary is facing. It welcomes the first steps taken in the implementation of the national strategies on judicial reform and the fight against corruption adopted last year, and takes note of the intensive legislative activity taking place. It notes however that key pieces of legislation remain to be adopted, such as the law on free legal aid.

The EU welcomes a strong political impetus to fight corruption. It acknowledges that several investigations into high-level cases have been conducted and efforts have been made to improve coordination and institutional leadership in this area. The EU is, however, concerned that corruption remains prevalent in many areas and remains a serious problem, and that details of ongoing anti-corruption investigations continue to leak to the media, undermining the presumption of innocence. The EU calls on Serbia to increase the ratio of convictions to indictments, in line with European standards on the right to a fair trial, to build on the adoption of a whistle-blowing law by establishing and implementing viable whistle-blowing protection mechanisms and to build effective prevention and repression mechanisms. The EU urges Serbia to find effective alternatives to the excessive recourse to incriminations under the offence of abuse of position in the private sector and to support the Anti-Corruption Agency and Council's role at the highest level.

The EU notes with satisfaction that Serbia actively participated in regional law enforcement cooperation, which yielded concrete results in the fight against organised crime, leading in particular to high-profile arrests in connection with organised crime groups. The EU calls on Serbia to adopt a strategic threat assessment on organised crime, with a view to developing strategic planning and analysis and subsequently appropriate law enforcement responses, including through the concept of intelligence-led policing.

Looking ahead, the EU notes that the adoption of credible and comprehensive action plans for chapters 23 and 24, according to all agreed recommendations, in line with the new approach, will be a crucial milestone for Serbia. The EU recalls that such action plans should comprise related timetables and set out clear objectives and timeframes and the necessary institutional set-up together with adequate cost evaluations and financial allocations, and should be developed through a transparent process of consultation with all relevant stakeholders to ensure maximum support for their implementation.

The EU takes note of the elections of the National Minority Councils on 26 October 2014 and recalls that a comprehensive revision of the law on National Minority Councils remains to be carried out. The EU notes that legal framework for the protection of minorities is broadly in place, but that its consistent implementation across the country needs to be ensured, notably in the areas of education, use of minority languages, and access to the media and to religious services in minority languages. The EU recalls that Serbia is expected to adopt, through an inclusive process, a dedicated action plan on the protection of national minorities throughout Serbia including substantial measures in these areas, as well as to ensure an adequate representation in public administration bodies, at the latest by the end of 2015. The EU recalls that Serbia is invited to reflect some of these measures in its action plan(s) on Chapter 23. The EU calls on Serbia to step up the positive measures taken to improve the situation of the Roma, particularly when it comes to education, housing and employment. The EU also notes that further sustained efforts are needed to improve the situation of refugees and displaced persons.

The EU considers that the holding of the Pride Parade in Belgrade on 28 September without major incident is an important milestone towards the effective exercise of human rights in general and lesbian, gay, bisexual, transgender and intersex (LGBTI) persons' rights in particular. The EU looks forward to further steps to reducing discrimination against LGBTI persons and promoting tolerance, including the peaceful holding of further Pride Parades.

The EU welcomes the adoption of a package of media legislation, which is designed to enhance transparency of media ownership and funding and to align legislation and practice with the EU framework in line with the 2011 national media strategy. However, the EU is concerned about deteriorating conditions for the full exercise of freedom of expression. The EU reminds that the Serbian authorities hold a crucial responsibility in actively contributing to the unimpeded exercise of freedom of expression, including by showing appropriate support to independent bodies, human rights defenders and independent journalists, and by reacting to and publicly condemning hate speech and threats. The EU calls on Serbia to adopt an even more dedicated and proactive approach to promoting all fundamental rights.

The EU encourages Serbia to progress in reforming its public administration. It welcomes the adoption of a comprehensive strategy and the strengthened coordination and planning of public policies with the setting up of a new Secretariat for Public policies. The EU notes the establishment of a special group on public administration reform as the main forum for policy dialogue in the framework of the SAA. The EU notes however that a sound and comprehensive reform, underpinned by proper analysis and performance management tools and a detailed action plan, is still needed to achieve a more efficient and streamlined public administration able to cope with the challenges of EU accession.

The EU welcomes Serbia's commitment to develop a comprehensive Public Financial Management reform and the upcoming public expenditure and financial accountability assessment. The EU encourages Serbia to reinforce the strategic links between Public Financial Management, Public Administration Reform and Public Internal Financial Control to kick off such a reform.

The EU welcomes Serbia's active and constructive commitment to regional cooperation and appreciates that Serbia significantly improved its relations with some of its neighbours. Serbia has continued to actively participate in regional initiatives, such as the South-East Europe Cooperation Process (SEECPP), where it played a constructive role in ensuring Kosovo's participation at the Bucharest summit in June 2014. Serbia also hosted the WB6 conference on economic governance on 23 October and the visit of Albanian Prime Minister Rama on 10 November, the first of such nature after 68 years.

In the field of foreign and security policy, the EU welcomes Serbia's participation in civil and military crisis management operations, and calls on Serbia to progressively align with EU declarations and Council decisions.

The EU recalls the new approach to economic governance as proposed in the enlargement strategy 2014-15. The EU invites Serbia to apply the new approach in its reform efforts to improve the economic situation in Serbia which is now in recession, also impacted by heavy floods despite good performance of parts of its economy, most notably the export sector. As a first step for strengthening economic governance and competitiveness, the EU invites Serbia to submit its National Economic Reform Programme to the European Commission by the end of January 2015. The EU further welcomes the staff-level agreement between Serbia and the International Monetary Fund (IMF) on a precautionary arrangement.

The EU welcomes a serious start the government has made on its ambitious programme of economic and structural reforms with the adoption of a first set of important laws on labour, privatisation, and bankruptcy. It underlines that proper implementation of these reforms and improving the business environment and the investment climate will be important to support a rebound in economic activity. The EU also notes that corruption remains a major threat to the business environment.

The EU welcomes Serbia's measures to reduce the very high fiscal imbalance, but recalls that additional measures are needed to deliver a sustainable reduction of the budget deficit. In particular, reducing subsidies and other forms of state aid, finalising the restructuring of state-owned enterprises, and reforming the public administration are key steps to improve efficiency of the public sector.

The banking system as a whole remains generally sound although a number of small banks have been closed-down at a high cost for the budget. The EU notes that there has been little progress with regard to the restructuring of the non-performing loans and the improvement of the Tax collection. Upgrading the physical infrastructure, especially after the damage incurred by the floods, requires persistent efforts and creation of additional fiscal space. The education system needs to be made more efficient in view of falling numbers of pupils and the skills mismatch in the labour market.

Finally, the EU considers it important that Serbia ensures close and timely follow up to the joint policy recommendations that were adopted by the ECOFIN Council on 6 May 2014.

Acquis

The EU welcomes the progress made by Serbia in aligning its legislation with the EU *acquis* and in implementing its commitments under the trade and trade-related provisions of the SAA. The EU notes that Serbia's administrative capacity needs to be strengthened in view of the accession negotiations so as to ensure effective implementation of the *acquis*.

The EU notes that Serbia continues to address its priorities related to the internal market.

The EU notes that preparations in the area of free movement of goods have continued. Serbia continued with the alignment of its horizontal legislation and the adoption of European standards. However, stronger emphasis needs to be put on implementation and administrative capacity. Better coordination is needed among various quality infrastructure and market surveillance authorities.

As regards public procurement, the EU welcomes the progress in the effective enforcement and implementation of the law on public procurement. The EU welcomes the adoption in October of the Strategy on Public Procurement Development 2014-2018, which foresees full alignment with the relevant EU *acquis*, including with the newly-adopted Public Procurement Directives (2014/23/EU, 2014/24/EU, 2014/25/EU). The EU notes the need to build up the required administrative capacity, in particular of the Public Procurement Office.

In the field of intellectual property rights (IPR), the EU notes the advanced level of alignment achieved by Serbia but underlines that further efforts are needed to ensure that the level of protection of IPR in Serbia is similar to that existing in the EU, in line with the SAA requirements.

The EU underlines the need for further alignment in the area of competition, in particular in the area of State aid policy where significant shortcomings have been identified. The legislative alignment with the *acquis* must be ensured, notably by removing the exemption from state aid rules for companies in the process of privatisation. The operational independence of the Commission for State aid Control needs to be ensured and its enforcement record must be strengthened. The existing aid schemes must be aligned with the *acquis*. Serbia must pay particular attention to the situation of the steel mill Smederevo, in line with the obligations of the SAA.

As regards information society and media, the EU welcomes the adoption in August of the Law on Public Information and Media, the Law on Electronic Media and the Law on Public Service Broadcasting. The adoption of these laws significantly improves the media legal framework and further aligns Serbian legislation with the EU legal framework. Effective implementation of these laws will be essential. The EU notes that the independence and transparency of the work of the Regulatory Body for Electronic Media needs to be ensured. The digital switchover remains to be implemented.

The EU takes note of the progress made in the area of agriculture and rural development, including the adoption of a comprehensive strategy for agricultural and rural development for the period 2014-2024 but notes that, overall, alignment with the *acquis* remains at an early stage. The EU encourages Serbia to increase the resources available to the operating structures of the Instrument for Pre-accession Assistance for Rural Development IPARD and to address major obstacles for IPARD accreditation.

The EU notes that limited progress has been made in the area of food safety, veterinary and phyto-sanitary policy. Overall, alignment with the *acquis* needs to continue. The EU notes the weak management of animal by-products, which could have damaging effects on the environment and public health. The EU notes that the maximum level of aflatoxin in milk was not realigned with EU standards. The EU encourages Serbia to significantly strengthen the administrative capacity of the national reference laboratories and to adopt a programme for upgrading agri-food establishments as well as to align its GMO legislation with the *acquis*.

The EU notes lack of progress in the field of fisheries. The EU encourages Serbia to amend its national legislation to establish a national catch certification scheme for imports and exports of fishery products and a system for the collection of market data.

In the transport sector the EU takes note of the good progress Serbia has made in transposing the Single European Sky legislation. The EU encourages Serbia to further progress in the rail transport sector, with a view to improving intermodality and allowing market access to rail operators as well as ensuring setting up an independent accident investigation body and strengthening the role of railway regulator. In the area of road safety, the EU encourages Serbia to further align with the recent road safety and dangerous goods *acquis*.

As regards energy, the EU welcomes the continued progress that Serbia has made in its alignment with the *acquis* and its constructive engagement in implementing the September 2013 agreement on energy adopted within the Dialogue with Pristina. The EU encourages Serbia to continue the preparations for the alignment with 'the third energy package' and for further liberalisation of energy market, in particular for the gas sector where the incumbent utility still needs to be unbundled. The EU recalls the importance of ensuring sufficient administrative capacity in this sector and calls on Serbia not to commence construction on the South Stream project pending renegotiation of the Inter-Governmental Agreement with Russia in line with EU *acquis* provisions. In addition, the EU stresses the need to develop Serbia's gas and electricity interconnections with its neighbours (particularly the Bulgaria-Serbia gas interconnector, but also the Romania-Serbia electricity one) as a matter of diversifying supply sources. Increased efforts are needed to overcome the structural problems that have led to delays in building these interconnections.

As regards customs and taxation legislation, the EU takes note of the progress made in the alignment with the *acquis*. The EU welcomes in particular the alignment of the customs tariff nomenclature. The EU encourages further improvements in the areas of VAT, excises and direct taxation. The EU expresses its concerns on the excise duty on spirits and encourages Serbia to align the tax method with the EU *acquis*. The EU encourages Serbia to strengthen the administrative and operational capacity of both the customs and tax administrations and to further simplify tax procedures.

In the area of statistics, the EU takes note of the progress achieved on sectoral statistics, and encourages Serbia to further strengthen the administrative capacity of the Statistical Office. The EU also invites Serbia to solve the issue of regional statistical classification (NUTS classification).

The EU notes that Serbia continues to address its challenges in the area of social policy and employment and to work on the alignment with the *acquis*. The EU takes note of the adoption in July of the Labour Law. It encourages Serbia to continue alignment of the Labour Law with the *acquis* while fully respecting consultation with the social partners and public debate. Social dialogue needs to be strengthened at all levels. In the field of employment policy, the EU encourages Serbia to pay specific attention to addressing the high youth unemployment. In the area of social inclusion, efforts should be stepped up to improve inclusion of Roma and people with disabilities. In the area of social protection, the pension fund deficit remains large. The EU takes note of the amendments to the Law on Pension and Disability Insurance adopted in July which introduce changes in pension calculation and retirement rules.

As regards enterprise and industrial policy, the EU welcomes Serbia's intention to sign a memorandum of understanding facilitating its participation in the EU Programme "Competitiveness of Enterprises and Small and Medium-sized Enterprises" (COSME). The EU notes that several measures to support SMEs and industry are in place in Serbia. These measures need to be better targeted, funded and their compliance with State aid rules ensured.

The EU strongly invites Serbia to ensure that the reform momentum in the area of the judiciary and fundamental rights, as well as in the area of justice, freedom and security, is maintained. The EU welcomes the first steps taken in implementing the national strategy on judicial reform and its related action plan, aimed at strengthening the independence, efficiency and professionalism of the judiciary. It notes with satisfaction the adoption of appraisal rules for judges and prosecutors as well as the appointment, on a permanent basis, of an important number of Court Presidents. However, the EU calls on Serbia to address the significant challenges that remain regarding independence, impartiality, accountability, efficiency and access to justice, including primarily through the revision of the Constitution, the establishment of a thorough merit based recruitment system for judges and prosecutors and continued efforts to reduce the court backlog. The EU is looking forward to receiving Serbia's action plans required for the opening of the rule of law chapters. It will recall the need for the action plans to be as comprehensive as possible, inclusive, well budgeted and backed by strong monitoring and coordination mechanisms. Serbia's ability to deliver in good time and to enforce clear measures conducive to a more predictable and sustainable judicial environment and to ensure ownership of the new reforms by the main practitioners will provide a strong indication of its ability to move forward on its path to accession.

The EU welcomes continued full cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY). However, it calls on Serbia to ensure domestic handling of war crimes in line with international humanitarian law and the jurisprudence of the ICTY and to significantly improve its witness protection system.

With regard to the fight against corruption and organised crime, the EU reiterates the particular importance it attaches to the systematic development of a solid track record of investigations, prosecutions, final convictions, seizures and confiscations in corruption and organised crime cases and underlines that Serbia needs to further increase its efforts in this regard.

As regards prevention of corruption, the EU notes some delays in the adoption of several important measures. The EU stresses that a pro-active, effective and coordinated implementation of the anti-corruption legal framework needs to be ensured, including through enhancing capacities of the current oversight bodies.

The EU welcomes Serbia's active participation in regional law enforcement cooperation in fighting against organised crime. It encourages Serbia to continue improving the legal, but also institutional and policy framework as well as the inter-agency cooperation of the judicial and law enforcement authorities. Special attention should be devoted to increase the capacities of the police and relevant institutions to fight complex forms of crime such as money laundering and economic crime, trafficking in human beings and cybercrime.

The EU encourages Serbia to consolidate the legal and institutional framework to protect and enforce fundamental rights, in line with EU and international standards. The EU welcomes the adoption of new legislation on enforcement of prison sentences and on alternative sanctions that should improve the level of protection of human rights in enforcement of sanctions. The EU recalls the need to strengthen the constitutional position of the State Ombudsman while ensuring better respect of its independence and follow-up of his recommendations. The EU encourages Serbia to address remaining shortcomings so as to more effectively protect human rights and fight against discrimination in terms of proceedings and sanctioning mechanisms, both at the level of judicial and law enforcement authorities, including by ensuring adequate prosecution of hate speech and threats.

The EU welcomes the holding of the pride parade in Belgrade in September without major incidents, which has marked a substantial step towards effective exercise of LGBTI persons' rights. Notwithstanding this positive development, the EU considers that there remains a need for a consistent and visible political commitment to promoting a culture of respect towards the rights of the LGBTI persons. The EU positively notes the adoption in October of an action plan for the implementation of the anti-discrimination strategy.

The EU is concerned about deteriorating conditions for the full exercise of freedom of expression. The EU calls on Serbia to ensure effective implementation of the new media laws and to address in particular the lack of transparency over media ownership and sources of media advertising and funding. The EU notes that there is a growing trend of self-censorship which combined with undue influence on editorial policies and a series of cases of interventions against websites is detrimental to freedom of expression. The EU calls on Serbia to properly investigate and prosecute threats and violence against journalists.

With regard to prevention of torture and ill-treatment, the EU notes that the administrative capacity of the Ombudsman, acting as the national preventive mechanism against torture, needs to be strengthened. Concerning freedom of thought, conscience and religion, the EU encourages Serbia to address the lack of transparency and consistency in the registration process of religious organisation which continue to be one of the main obstacles preventing some religious groups from exercising their rights.

The EU calls on Serbia to step up efforts in the field of women's rights and gender equality and to adopt the action plan for the implementation of the national strategy for prevention and combating violence against women. In the area of children's rights, the EU encourages Serbia to step up efforts to improve the situation of Roma children and children with disabilities. The EU invites Serbia to enhance the social inclusion of persons with disabilities, especially as regards employment, education and availability of community-based services.

The EU takes note of the Third Opinion on Serbia of the Advisory Committee on the Implementation of the Framework Convention for the Protection of National Minorities published in June. The EU calls on Serbia to step up efforts to ensure consistent implementation of the legal framework for the protection of minorities across the country, in particular in the areas of education, the use of languages, and access to media and religious services in minority languages, whenever there is demand from minorities, and to improve representation of national minorities in public administration bodies.

The EU calls on Serbia to step up its efforts to improve the situation of Roma and prepare a new Roma strategy and action plan, taking into consideration the EU Framework for National Roma Integration Strategies and drawing lessons from the implementation of the current Roma strategy. While acknowledging some progress, the EU calls on Serbia to further improve the situation of refugees and internally displaced persons.

The EU welcomes Serbia's efforts to fight irregular migration and encourages adequate training of staff with a view to facing the challenge of migratory pressure to strike a balance between security and protection of human rights. It looks forward to the adoption by Serbia of the related action plan on chapter 24 proposing inter alia an evaluation mechanism assessing the accommodation capacity for irregular migrants on a continuous basis with the possibility to boost capacity in the short term, if necessary.

The EU calls on Serbia to reform its asylum system to face an increasing number of applications, including through allocating sufficient and well-trained staff, strengthening accommodation capacity, and, at the same time, rationalising the whole asylum procedure.

The EU encourages Serbia to continue actively participating in regional cooperation in the field of borders management with its neighbouring countries and calls for better inter-agency cooperation between the bodies operating at the borders.

The EU stresses the importance to develop strong ethical standards for the police and calls for further efforts to increase efficiency, foster specialisation on financial crime and ensure better operational cooperation between the judiciary, law enforcement and non-law-enforcement bodies. The EU invites Serbia to continue the legislative alignment in the field of judicial cooperation in civil and criminal matters.

The EU recalls that efforts should continue to properly implement all the obligations arising from the visa free regime for Serbian citizens and its relevant roadmap, following the Council's decision on visa liberalisation of November 2009. The EU encourages Serbia, following the entry into force in January 2014 of the visa-waiver suspension mechanism, to actively continue its efforts to counteract the cases of visa-free regime abuses in the EU and in the Schengen Associated member states and encourages further efforts to tackle the phenomenon of unfounded asylum applications lodged by Serbia's nationals in the EU Member States. The EU points out that strict implementation of the recommendations included in the Post-visa Liberalisation Monitoring Reports is of vital importance, including of those measures to increase social cohesion of vulnerable groups. The Commission will continue to monitor the implementation of the measures taken under the basis of the visa liberalisation roadmap through the post-visa liberalisation monitoring mechanism as well as in the framework of the SAA sub-committee on Justice, Freedom and Security.

The EU recalls the importance of continuing with efforts made, in particular with respect to the investment, in research and development both by the public and private sector.

The EU encourages Serbia to make continued efforts with reforms in the education sector and notes that although a good level of legal alignment has already been achieved, implementation of existing strategies and action plans remains a challenge. Serbia needs to guarantee non-discrimination between EU and Serbian nationals by the date of accession, and alignment with the EU Directive on the Education of the Children of Migrant Workers must be assured. The issue of mismatch between skills available and needs of the labour market needs to be further addressed and monitored, in particular through further progress in the reform of vocational education training (VET) system. More efforts should be made to improve the quality of education at all levels and to approach the EU benchmarks on education and training.

Regarding environment and climate change, the EU welcomes the continued process to deliver Integrated Pollution Prevention and Control (IPPC) permits, the adoption of the decree setting new limit values for priority and priority hazardous surface water pollutants, in line with the Water Framework Directive, and the updated legislation implementing the CITES Convention (on International Trade in Endangered Species of Wild Fauna and Flora). However, the EU recalls the need for administrative strengthening in all areas of environment policy (*inter alia* in the Water Directorate, management of Natura 2000 sites, of IPPC permitting, of the department dealing with chemicals), of developing monitoring systems (for greenhouse gases or of water quality) and of improving public participation and consultation in decision-making.

The EU encourages Serbia to develop the air quality plans for Belgrade, as well as to build a waste-water treatment plant for the capital. The EU further invites Serbia to treat disaster risk reduction and disaster management as a priority, following the May 2014 floods. The EU urges Serbia to develop a comprehensive countrywide climate policy and strategy. Above all, the EU strongly advises Serbia to develop a programme of investments (particularly in water, waste-water, and solid waste treatment) not only to implement the EU *acquis* but also to improve the health and wellbeing of its citizens.

The EU notes that, overall, Serbia has achieved some progress in the area of consumer and health protection. The EU welcomes the adoption of a new Law on consumer protection but invites Serbia to strengthen the overall financial sustainability of the public health system.

The EU welcomes the continued efforts in the area of public internal financial control (PIFC). However, the EU notes that practical implementation of the legal framework for PIFC could be stepped up. The EU encourages Serbia to strengthen the managerial accountability arrangements and control systems, including in the context of the public administration reform. The EU encourages the adoption of a PIFC strategy, embedded in the overall context of Public Financial Management and Public Administration Reform.

Pre-accession Assistance

The EU notes that EU assistance to Serbia has amounted to approximately € 2.5 billion over the period 2000-2013 (approximately €200 million per year). The EU welcomes the agreement with the Serbian government on the priorities for the future Instrument for Pre-Accession Assistance (IPA) enshrined in the Country Strategy Paper (CSP) 2014-2020, focusing on 9 strategic sectors over the period 2014 to 2020 (Democracy and governance; Rule of law and fundamental rights; Environment and climate change; Transport; Energy; competitiveness and innovation; Education, employment and social policies; Agriculture and rural development; Territorial and regional cooperation), for an indicative budget of €1.5 billion.

The EU congratulates Serbia on the received Conferral of Management of EU funds in March 2014. The EU underlines however, that for proper fund management it is essential to remedy the current deficiencies in the national system and encourages Serbia to invest greater efforts into a more timely management of EU funds. The EU emphasises the importance of sound public financial management and the need for a clear link between the EU pre-accession financial assistance, national reform strategies and the accession negotiation process. Therefore, the EU encourages Serbia to strengthen its project preparation and strategic planning capabilities in order to ensure sufficient absorption capacity. The EU invites Serbia to continue efforts to develop the capacity for multi-annual strategic planning for the implementation of IPA support, in line with a sectoral approach. The EU welcomes Serbia's effort for the preparation of a single pipeline of Investment projects in the fields of transport, energy, environment and business environment.

The 2014 Annual Action Programme for Serbia under IPA II was endorsed at the 5th IPA Management Committee meeting on 27 November 2014. It recalls that under IPA II, only investment projects which are part of a nationally adopted single project pipeline will be eligible for funding. The EU notes that a first National Investment Committee was held in October to discuss the support to this pipeline with National authorities, donors and IFIs.

Serbia has been actively participating in EU programmes. IPA funds are regularly used to co-finance part of the costs for the participation in these programmes.

Serbia is continuing its participation in EU programmes for the period 2014-2020 and the process of concluding agreements for a number of programmes has started, including:

- Horizon 2020
- COSME
- Customs and Fiscalis 2020
- Erasmus+ and Creative Europe
- Employment and Social Innovation

Serbia further expressed interest to participate as observer in the Fundamental Rights Agency. The EU encourages Serbia's participation in further EU programmes in the future, where pertinent to the accession process of Serbia.

Bilateral relations under the Stabilisation and Association Agreement

The European Union reiterates that the Stabilisation and Association Agreement (SAA), under the framework of the Stabilisation and Association Process, remains at the core of the relationship between the EU and Serbia. The EU welcomes in this regard the joint signature in June 2014 of a Protocol to the SAA in order to take account of Croatia's accession to the EU. The Protocol is applied on a provisional basis as of 1 August 2014. The EU welcomes that the Law on the ratification of the Protocol was adopted by the Serbian Parliament and published in October 2014. The Protocol will enter into force on the first day of the first month following the date of the deposit of the last instrument of approval.

The EU informs Serbia that the Council recently adopted a decision which enables the EU to agree to replace the existing provisions of Protocol 3 on rules of origin of the SAA by a reference to the regional convention on pan-Euro-Mediterranean (PEM) preferential rules of origin. The EU signals that the introduction of the PEM convention in the relevant protocol of the SAA is done by a decision of the SA council. This decision, N° 1/2014, will be signed at the Stabilisation and Association Council on 17 December.

The European Union welcomes Serbia's positive track record in implementing its obligations under the SAA, including its trade related provisions, since its entry into force on 1 September 2013. The European Union notes that some gaps remain, in particular as regards state aids, where further efforts towards alignment are needed.

Exchange of views on developments in the Western Balkans and other international issues of common interest

The European Union and Serbia will proceed to an exchange of views regarding developments in the Western Balkans.
