

ONE YEAR IN OFFICE
OF THE CABINET OF
ALEKSANDAR VUČIĆ

ISTINOMER

REPORT



Content

One year in Office of the Cabinet of Aleksandar Vucic

Reviewed by Istinomer	4
Economic Results of Government of Republic of Serbia	5
Inflation	7
Number of Jobless in Serbia	7
Gross Domestic Product (GDP)	9
Imports & Exports	10

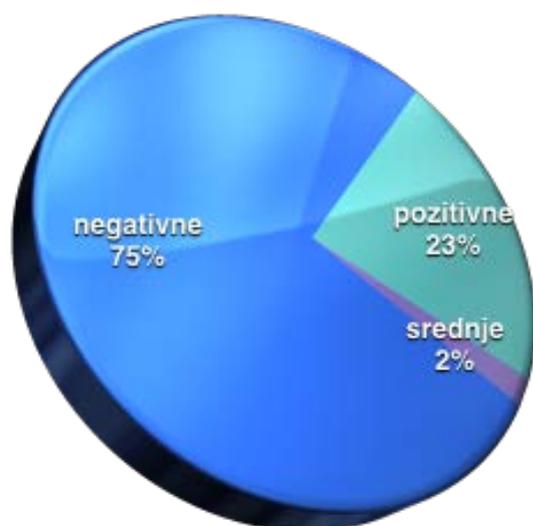
Commitments that marked One year in Office of the Cabinet of Aleksandar Vucic

Fulfilled Election Campaign Promises	11
We Will Arrest Saric	11
New Smelter by Year's End	11
Broken Election Campaign Promises	12
We Will Unveil Agreement with Airline Etihad Airways	12
Belgrade Waterfront Project Will Be Advertised on CNN	12
Plan for Apparel Maker Yumco by End-March.....	12
Mercedes-Benz Bus Made in Serbia Coming Soon.....	13
Pension Cut	13
Serbian Progressive Party (SNS) Guarantees No Pension Cut	13
We Guarantee Not Only Pension Payment, but Possible Increase	13
I Guarantee – No Pension Cut!	14
No Bonus Pension Check Without Us	14
Fulfilled Commitments Made during Serbian Cabinet's First Year in Office	14
We Will Conclude Arrangement with International Monetary Fund (IMF).....	14
We Are Introducing Incentives for Private Sector Hires.....	15
Fund for Children with Rare Diseases Will Be Operational in September.....	15
Unfulfilled Commitments Made during Serbian Cabinet's First Year in Office	15
Flood-Stricken Areas Recovery Time Frames	15
Houses for Flood-Stricken Population by October 15.....	15
Schools & Kindergartens in Obrenovac Repaired by November 15.....	15
All Houses Completed by New Year	16
Houses for Flood-Affected People by Winter	16
Belgrade Waterfront Project	16
Works under Belgrade Waterfront Project Will Start No Later than March 1, 2015.....	16
Signing of Belgrade Waterfront Project Agreement Right upon Cabinet Foramtion.....	16
Construction of Tower Belgrade by End-2014	17
Merger of Public Road Management Companies Koridori & Putevi Srbije in January	17
We Will Levy Higher Income Tax on State Officials	17
We Will Publish Military Parade Cost.....	17
Bids for Companies Slated for Privatization Will Be Invited by End-January	18
Truck Maker FAP To Launch Production as of September	18
Agreement with Mercedes on September 8.....	18
We Will Replace 70% Management in Public Companies by End-August	18
Review of Government Platform Objectives.....	19
Fulfilled Government Platform Objectives.....	20
Labor Law.....	20
Law on Pension and Disability Insurance (PIO).....	20
Law on Tax Procedure and Tax Administration	20
Bankruptcy Law.....	21
Privatization Law	21
Media Laws	21

Law on Civil Servants.....	21
Public Sector Wage Cut by 10%.....	21
Budget Rebalance.....	22
Unfulfilled Government Platform Objectives.....	23
Laws Not Passed.....	23
Privatization of Insurer Dunav Osiguranje.....	23
Government Platform Objectives Fulfilled Past Deadline.....	23
Preparing for Privatization of Mobile and Landline Operator Telekom Srbija.....	23
Law on the Protection of Whistleblowers.....	24
We Will Pass Law on Inspections Oversight.....	24
We Will Pass Law on Spatial Planning & Construction.....	24
Insurance Law.....	24
Law on Temporary Alignment of Basis for Calculation & Payment of Salaries & Compensation by Budget Beneficiaries, i.e. Pay Grades.....	24
Fiscal Consolidation.....	25
Parametric Reform of Pension System.....	25
Clampdown on Grey Economy.....	25
Combating Corruption.....	25
Tackling of Companies Under Restructuring.....	26
Steel Maker Zelezara Smederevo.....	27
Restructuring of Railway Company Zeleznice Srbije.....	28
Fiscal Consolidation of State-Owned Banks & Other Financial Institutions.....	28
Reduction of Per Diem, Travel, Hospitality & Associated Expenditure.....	29
Reduction of Donations to Sport Clubs & Introducing Stimulus for Their Privatization.....	30
Ministries' Performance Reports.....	31
Events that Marked Serbian Government's First Year in Office.....	34
Floods.....	34
Censorship & Self-Censorship.....	36
Pressure on Ombudsman.....	38
Belgrade Waterfront Project.....	40
Adopting Laws under Urgent Procedure.....	42
Housing Development.....	42
Serbian Army Helicopter Crash.....	42
Doctorates.....	43
Serbian Government's Diplomatic Activity.....	44
Relations with EU.....	47
European Commission Progress Report.....	48
Position on Ukraine Crisis.....	48
Belgrade-Pristina Dialogue.....	49
Tense Relations between Serbia & Albania.....	50
Pension & Public Sector Wage Cut.....	51
Lazar Krstic's Resignation.....	52
Prime Minister & Businesspeople.....	52
Truck Maker FAP, Copper Mining & Smelting Company Bor, South Stream Gas Pipeline Strikes.....	52
Controversial Funding Opportunity Announcement of Ministry of Labor, Employment and Veteran and Social Affairs.....	55
Raising Milk Aflatoxin Ceiling.....	55
Police Purge.....	55
Pride Parade.....	56
Delivery Unit.....	56

One year in Office of the Cabinet of Aleksandar Vučić Reviewed by Istinomer

The Serbian government's first year in office was marked with absolute supremacy of Prime Minister **Aleksandar Vucic**. Most of major events that marked the cabinet's first year in office saw **all other ministers standing in the shadow of the prime minister**. Of 180 statements rated on Istinomer's (TruthMeter) website over the past year, **every fourth belonged to Aleksandar Vucic** (48 statements rated), with all other Serbian government officials remaining far behind him. Of every **four statements** by Prime Minister Vucic, **three were assessed negatively** (of 48 statements rated, 36 were assessed negatively, 11 positively, while one was given "a medium mark").



Expounding the government platform, the prime minister committed to completing certain activities within his cabinet's first 100 days in office, whereas **very few such target dates were set for the government's first year in office**, which has made the cabinet's achievements in this period difficult to evaluate. The largest portion of the announced activities, which predominantly relate to passing laws, was carried out only past the first 100-day deadline. Some of the objectives, such as the adoption of a Mortgage Law or a Law

on privatization of insurer Dunav Osiguranje have not been fulfilled even after the cabinet's first year in office. **The arguable practice of passing laws under urgent procedure continued** over the past 12 months, **with two of three laws being adopted under urgent procedure** (of a total of 193 laws, 124 were adopted under urgent procedure).

Of 16 ministries, **only four** (the Ministry of Culture and Information, the Ministry of Education, Science and Technological Development, the Ministry of Justice, and the Ministry of Public Administration and Local Self-Government) have **submitted to Istinomer their respective detailed agenda and performance reports** for their first year in office, which is yet another proof of the absence of transparency in the work of institutions and insufficient accountability of ministries' representatives. Without precise performance indicators and information on the work of institutions, the public is denied the possibility to monitor and oversee the work of ministers and ministries.

Expounding the government platform a year ago in the capacity of premier-designate, the prime minister **mentioned word 'accountability' as many as 31 times**. Moreover, late last year, he said that 'accountability' will be **the key word in 2015**. Nevertheless, over the past year, the public demanded accountability on several occasions: in the "doctorates affair," when prime minister's closest associates were accused of plagiarism; when Labor Minister Aleksandar Vulin, at his own discretion, decided to allocate from the state budget EUR 2 million to the Fund for treating children with rare diseases, or when a military helicopter crashed in March 2015, killing all seven persons aboard. **Each and every time, the prime minister stood up for his**

ministers, criticizing the media outlets which insisted on political accountability.

Istinomer remarks that **unrealistic commitments made and target dates set by government officials constitute the prevailing context of political communication with the public.** Even positive activities, such as bringing to completion the recovery effort in the areas stricken by devastating floods last year, **are behind schedule, wherein the public is usually deprived of any reasonable explanation for such delays.** Furthermore, one cannot disregard the last year's election campaign promise of the incumbent government that pensioners will not be affected by the planned reforms, whereas pensions and public sector wages were slashed last November as part of consolidation measures.

Istinomer would like to encourage the government to introduce a mechanism to enable the publishing of **government session minutes, based on a model applied by the National Assembly,**

which would represent a positive step toward ensuring a more transparent work of the executive authorities, while in parallel enabling citizens to have a clear insight into their activities. Henceforth, Istinomer expects from the prime minister to **more rigorously abide by the promises he makes, and from the ministers to have in place more concrete plans and related implementation time frames when going public,** abandoning the practice of evading accountability for their performance.

Istinomer calls upon responsible politicians and public officials to sign a Declaration on political accountability (www.deklaracija.rs) and thereby contribute to promoting the concept of political accountability and achieving a higher level of democratic culture in Serbia.

Economic Results of Serbian Government

"Here, take a look at these figures. I am ashamed to read them for how good they are. I am ashamed, I better not tell people because... Of course I am glad, I almost cried tears of joy today," (TV Pink, January 30, 2015), Prime Minister Aleksandar Vucic said in January when presenting his cabinet's economic results. These good results, according to the prime minister, include EUR 576 million worth of investments, which created 7,437 jobs. In the end of 2014, Serbia's unemployment rate reduced to 16.8%, **down 5.6%** from the end of 2012, Vucic said. He also remarked that the situation of public finances is improving, primarily owing to a more serious approach and responsibility of the Serbian government. "This year, we will not borrow more than 1.2 to 1.3 billion," (Pink TV, January 30,

2015) Vucic said, adding that the Serbian government intends to create healthy public finances as they are a prerequisite for economic growth, investments and a healthy state.

A three-year precautionary stand-by arrangement was concluded with the International Monetary Fund (IMF) which, according to economists, indicates that Serbia is on a path of reforms. Inflation rate has been kept low, at 1.7% at the end of 2014. Gross Domestic Product (GDP) growth rate was -0.5% at the end of last year.

As a tangible achievement, Prime Minister Vucic cited the fiscal consolidation measures implementation. He stressed that "in the first two months of 2014, our

country posted a budget surplus for the first time in modern history, amounting to RSD 1.89 billion.” (TV B92, March 3, 2015) In the first quarter of 2015, the budget deficit was RSD 33 billion lower than projected.

Vucic long ago appealed for patience with citizens until 2017, while in March he announced the possibility of increasing public sector wages and pensions this year. He stressed that “thus far savings in the state budget suggest such a possibility, but it must be first discussed with the International Monetary Fund.” (Vecernje Novosti, March 26, 2015)

Vucic's optimism is however not shared by a number of economic analysts. A budget deficit lower than expected, according to them, occurred primarily due to dividend payments by certain public companies in the beginning of the year, rather than in the end of the previous year, which was previously the practice. Further, certain subsidy payments to agricultural producers have been postponed. Another reason for a lower-than-expected budget deficit is a rather small volume of public investments this year, which is even below the last year's very low level.

A drop of unemployment rate, economists argue, is not owing to economic recovery, but the factors underlying the decrease - more intense work of labor inspectorates and a downward trend in the working-age population as Serbia's population declines by 30,000 every year.

Fiscal Consolidation

In the hope of reducing the budget deficit, the government has introduced savings measures and started implementing fiscal consolidation. One of significant fiscal consolidation measures is pension and public sector wage cut, effective since last November. A 10% across-the-board wage cut model was applied on public sector

wages exceeding RSD 25,000, while a progressive decrease model was applied on pensions, with pensions exceeding RSD 25,000 cut by 22%, and those above RSD 40,000 by 25%. This is expected to result in the annual spending cut of EUR 400 million.

Pensioners in Serbia protested this Serbian government's measure, with the Association of Pensioner's Unions asking the Constitutional Court to look into whether a law enabling pension cut – the Law on temporary regulation of pension payment is constitutional. The Constitutional Court has accepted to examine the application. The Association of Pensioner's Unions said that after seeking an opinion from the Constitutional Court, it will turn to the European Court of Human Rights in Strasbourg.

Aside from budget spending reduction through pension and public sector wage cut, the 2015 budget also envisages other smaller spending cuts through smaller allocations for all ministries. This primarily refers to the procurement of goods and services, official travels and use of official vehicles.

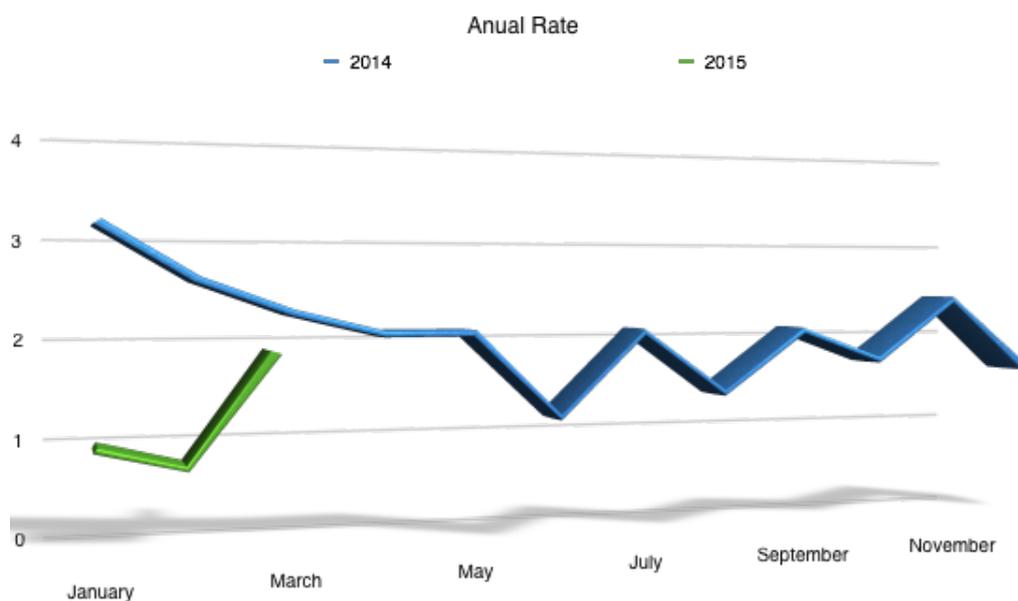
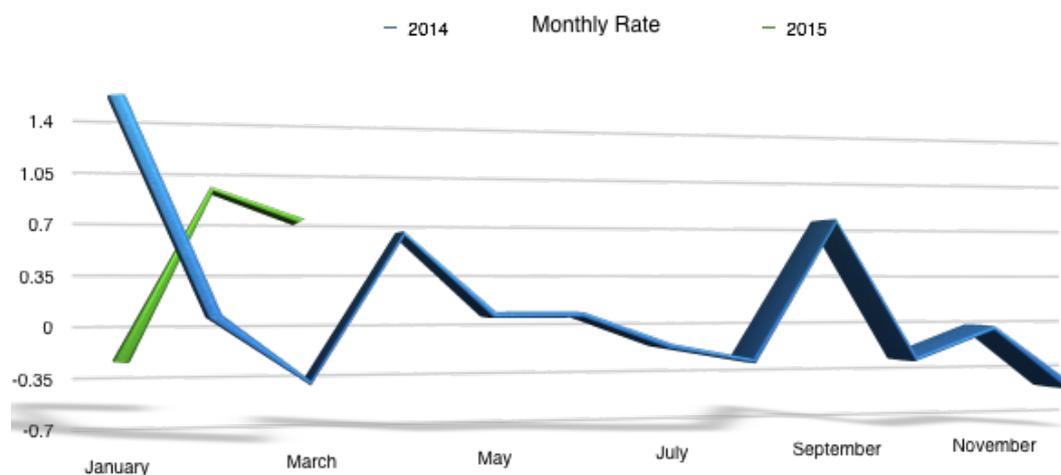
Fiscal consolidation effects were visible after the first three months of 2015. Instead of an expected deficit of RSD 55 billion in the first quarter, Serbia posted a substantially smaller deficit of RSD 21.5 billion. In the first three months of 2014, the deficit was as high as RSD 75.2 billion. Finance Minister Dusan Vujovic says that the state has managed to slash spending by RSD 33 billion.

"At the beginning of the year, a deficit should have been around RSD 55 billion, still lower than in the previous years. The final figure is nearly 2.5 times lower than expected. Spending has been cut by more than RSD 33 billion.” (RTS, April 5, 2015)

Inflation

The 2014 annual inflation rate in Serbia was 1.7%. In January 2015, Serbia reported a 0.2% deflation. In February, inflation was 0.9%, or 0.8% year-on-year. According to Raiffeisen Bank analysts, the

record low year-on-year inflation in January was owing to external factors, such as the sharp drop in oil prices, but also due to some internal factors, such as week aggregate demand.



Number of Jobless in Serbia

Serbia's unemployment rate in 2014 declined 3.2% year-on-year, according to a labor force survey conducted by the Statistics Office. The data obtained show that in 2014, the average unemployment rate with the working-age group of 15 and above was 18.9%. A similar unemployment rate was recorded in 2010 (19.2%), after which it continued to rise over the next few years. In 2014, the unemployment rate with the working-age group of 15 to 64 was 19.7%. Main factor underlying the decrease, certain economic analysts explain, is Serbia's annual working-age population decline rate of 0.5%, which in itself decreases the

size of the working-age population, while in parallel increases the employment rate. This remark is not disputed by Labor Minister Aleksandar Vulin. "The result is that we have a larger number of registered workers, who pay contributions to the state, who can take out a loan and who can hope for a better future because they are registered. The question about the number of new jobs should be addressed to the Finance Ministry and the Economy Ministry. The labor minister tells you that the number of registered workers has increased significantly," Vulin stressed. (TV N1, April 21, 2015)



Unemployment rate

* Source: National Employment Service



Number of jobless

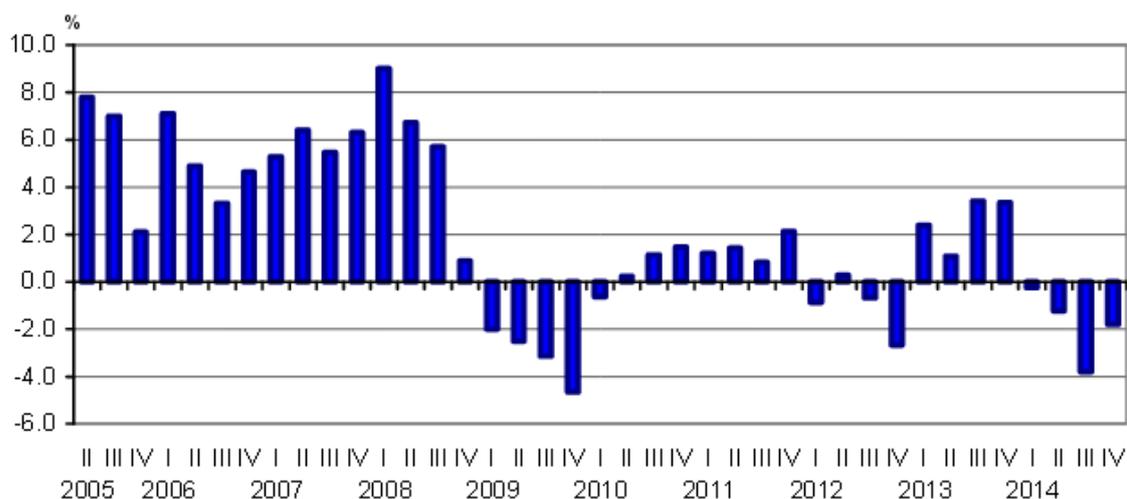
* Source: National Employment Service

Gross Domestic Product

Serbia's Gross Domestic Product (GDP) in the last quarter of 2014 contracted 1.8% in real terms compared to the same period last year. By sectors, the last quarter of 2014 saw a considerable year-on-year decrease of gross added value (GAV) in real terms: industry and water management and wastewater management, 9%, wholesale and retail, motor vehicle repair, transportation,

storage, accommodation and catering services, 1.3%, while the construction sector reported a significant growth of GAV by 8.5%.

Despite these figures, the World Bank's projection is that Serbia's GDP in 2015 will shrink 0.5%.

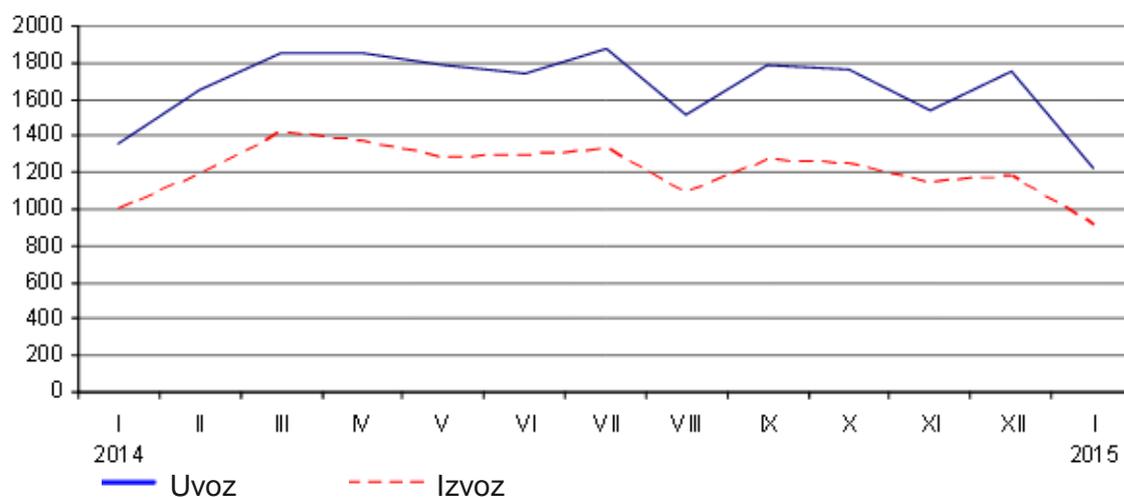


GDP growth rate in real terms (change against same quarter of previous year)
Source: Serbian Statistics Office

Imports & Exports

Serbia's overall foreign trade in January 2015 totaled USD 2.13 billion, down 10.3% year-on-year, according to the Statistics Office. Serbia exported goods worth USD 905.9 million, a drop of 9.4% against the same period last year, while it imported goods in the value of USD 1.22

billion, down 10.9% from January 2014. Foreign trade gap shrank 15% year-on-year to USD 318.7 million. The foreign trade coverage stood at 74%, an increase compared with the same period in 2013, when it was 72.7%, according to the Statistics Office.



Exports & imports by months (in million US dollars)
Source: Serbian Statistics Office

Commitments that Marked One year in office of the Cabinet of Aleksandar Vucic

During Serbian government's first year in office, Istinomer kept its eye out for the commitments made by the prime minister and other cabinet ministers. By far the largest number of statements rated on the Istinomer's website belong to Prime Minister Vucic. According to Istinomer's analysis, of the promises made during the election campaign, two have been kept - the arrest of Darko Saric, suspected of trafficking large quantities of drugs, which took place shortly after the parliamentary elections, and the completion of a new smelter in mining and smelting complex Rudarsko Topionicarski Basen (RTB) in Bor by the end of 2014. The agreement with Airline Etihad Airways was unveiled only in late August, although the deadline was the end of the election campaign. Other election campaign promises have

not been kept. Many members of the ruling coalition insisted that there will be no pension cut, which yet happed last autumn. After its formation, the cabinet fulfilled promises to conclude an arrangement with the IMF, introduce incentives for private sector hires, and to set up a fund for treating children abroad, which became operational in September. Promises pending include the completion of the flood-stricken areas recovery effort, replacement of management in public companies, and the launch of construction works under the Belgrade Waterfront development project.

Fulfilled Election Campaign Promises

We Will Arrest Saric



"I assure you that in the coming weeks, Saric will no longer be a free man." (FoNet, March 6, 2014).

In early March, the Serbian Progressive Party (SNS) leader said he is convinced that Darko Saric, suspected of trafficking large quantities of drugs, will be in custody soon. Darko Saric was arrested in South America and handed over to Serbia on March 18, 2014, two days after the elections.



New Smelter by Year's End

"Mining and smelting complex Rudarsko Topionicarski Basen (RTB) in Bor is one of the most important companies for Serbia and therefore RTB's s most important project, a new flash smelting furnace, must be completed by the promised target date, that is, by the end of this year." SNS leader on new flash smelting furnace in Bor. (Danas, March 6, 2014)

After touring the complex during the election campaign in March 2014, then

first deputy prime minister said that a new smelter in RTB, “has to be completed by the promised target date – by the end of

this year.” The Serbian prime minister attended the completion of works on the new smelter on December 23.

Broken Election Campaign Promises

We Weill Unveil Agreement with Airline Etihad Airways



“We will unveil our agreement with airline Etihad Airways before the end of the election campaign.” (Politika, February, 4, 2014)

The SNS leader committed to unveiling the agreement with Etihad Airways by the end of the election campaign. However, it was not done. In early May, when asked when the agreement will be unveiled, the prime minister replied that it will be done only after the agreement with Italian car maker Fiat is unveiled, stressing that it will be “very soon.” On the last day of July, he told the Serbian parliament MPs that “unfortunately, the agreement with Fiat will not be displayed,” adding that the unveiling of the agreement with Etihad Airways was pending the arrival of Mohammed bin Zayed bin Sultan Al Nahyan, the crown prince of the United Arab Emirates (UAE). Vucic stressed he is convinced that the sheik will allow the agreement on Air Serbia to be unveiled. (Open Parliament, July 31, 2014) On August 14, the prime minister unveiled the agreements with UAE’ Etihad Airways and Al Rawafed. He stressed that Serbia will invest USD 42 million in Air Serbia, a 51%-49% joint venture between Serbia and Etihad Airways, while the UAE’s carrier will inject up to USD 100 million. (RTS, August, 14, 2014)

Belgrade Waterfront Project Will Be Advertised on CNN



“Some of the most famous and wealthiest people in the world will come and buy apartments there, they will invest tens, not say, hundreds of millions of euros in an advertising campaign and as early as March, you will see the Belgrade

waterfront project advertised not with ours, but with their money and that be on CNN and many other world channels.” (TV Pink, February, 16, 2014)

During the election campaign, the SNS leader said that very soon, as of March, the Belgrade Waterfront project will start advertising at major world channels. He stressed that investors will pay for the advertising campaign. However, a campaign for the grand project in Belgrade has not been launched yet.



Plan for Apparel Maker Yumco by end-March

“By the end of March, a plan and agenda will be in place for the tackling of apparel maker Yumco, whose workers have been on strike since January.” (Vranje, March, 1, 2014).

While touring Vranje on March 1, 2014, Aleksandar Vucic said that a plan and agenda will be in place by the end of March for the Vranje-based apparel maker Yumco, employing 1,700 workers, who have been on strike. He also said that in a few days, representatives of the company and the Finance Ministry will talk, and asked the workers to have confidence in the state, which holds a 60% stake in the company. A month later, Yumco workers organized a protest, and on April 15, they blocked the head office. In early October, Yumco employees ended the 226-day strike, after promised to receive three back wages and 65% of their monthly paychecks for the time they spent striking, following the budget adoption. It was agreed to combine all years of service in the past four years and validate their health booklets. (Blic, October 6, 2014) Goran Djordjevic from the SNS, who was appointed general manager in April 2015, said that “1,700 workers receive salaries

regularly, while a social welfare program has been prepared for to achieve an optimum productivity in the future and also create conditions for hiring new workers.“ (Danas, April 23, 2015)

Mercedes-Benz Bus Made in Serbia Coming Soon



“In less than a month's time, a first Mercedes-Benz bus made in Serbia will be manufactured.” (Vecernje Novosti, February, 14, 2014)

In March, then first deputy prime minister Aleksandar Vucic, personally placed the trademark symbol of the German automotive giant on a new model of bus maker Ikarbus, noting that the countries in the neighborhood have already expressed interest in the new bus and that it will be sold throughout the Southeastern Europe. However, five months after the first Mercedes-Benz bus made in Serbia was manufactured, no buyer has come forward. According to Ikarbus' general manager Aleksandar Vicentic, apart from the prototype, no other vehicle has been produced. For the time being, the only Mercedes-Benz bus made in Serbia, a prototype, “is being tested in an authorized automotive testing laboratory.” A cooperation agreement between Ikarbus and Mercedes-Benz will be inked, according to Vicentic, only after a first buyer shows up. (Istinomer, July, 10, 2014) On September 8, Ikarbus did not sign an agreement with Germany's Mercedes-Benz as Prime Minister Aleksandar Vucic pledged in early August.

Eight months after it was produced, the first Mercedes-Benz bus made in Serbia found a buyer. Pozarevac-based tourist agency Arriva Litas purchased nine Ikarbus made buses as well as the prototype, which Ikarbus manufactured in cooperation with the German automotive giant. Still, according to sources from Ikarbus, the production of Mercedes-Benz badged buses is not planned for now.

Pension Cut

Serbian Progressive Party (SNS) Guarantees No Pension Cut



“The SNS guarantees that there will be no pension cut in Serbia. Pensioners have earned their pensions while creating this country. In the next period, we have the obligation to at least preserve everything that they have created.” (SNS' Prokuplje chapter website, February 27, 2014)

During the election campaign, the SNS vice president on several occasions stressed that pensions will not be slashed, and that his party is as a guarantor that it will be so. He pledged the same when visiting a retirement home in Prokuplje in late February.

We Guarantee Not Only Pension Payment, but Possible Increase



“Today, we are demonstrating that with economic reforms we are guaranteeing pension payments, and not only pension payments, but also a possibility to increase those pensions. To show that pensioners must be much better taken care of than before. Not only by promising some state aid as pensions do not fall under that category, because you have earned your pensions.” (Tanjug, February 14, 2014)

While touring a residential care and retirement home in Leskovac, the SNS vice president stressed that a future cabinet will take special care of the elderly. He also said that economic reforms will not only ensure pension payments, but also pensions that will keep increasing.

I Guarantee – No Pension Cut!



"Whatever reforms shall we carry out, whatever may be happening, dear friends, bear in mind one thing which I guarantee, pensioners will be the last whose rights anyone in the state will be allowed to touch. It is better to take away from us everything that can be taken away, while there is nothing to be taken away from pensioners." (TV Pink, March 10, 2014)

Speaking at an election rally in Zemun's sport hall Pinki, the SNS leader said he guarantees the acquired rights of pensioners will not be curtailed, regardless of the reforms which a future Serbian government shall implement.

However, in mid September, Prime Minister Vucic announced "economic recovery" measures, including a pension and public sector wage cut. He said that "pensions less than RSD 25,000 will not be touched, while a progressive decrease model will be applied to pensions exceeding this amount." He specified that

a pensioner receiving RSD 26,000 will see a cut of RSD 220, those receiving RSD 27,000 will be getting RSD 26,560 following the decrease, while a pension of RSD 30,000 will be reduced by RSD 1,100. This measure took effect on November 1.

No Bonus Pension Check Without Us

"Unless the coalition comprising the Socialist Party of Serbia (SPS), the United Pensioner's Party of Serbia (PUPS), and the United Serbia party (JS) takes part in the government after March 16, there will be no bonus pension check." (Politika, March 2, 2014)



Then PUPS deputy leader Milan Krkobabic told an election rally in Belgrade Kombank arena that unless the SPS-PUPS-JS coalition takes part in the government after March 16, pensioners will not receive a bonus pension check. "Remember what I am telling you, unless we take part in the government, nothing of that will happen," Krkobabic stressed. (*Politika, February 2, 2014*).

Fulfilled Commitments Made during Serbian Government's First Year in Office

We Will Conclude Arrangement with IMF



"With the aim of strengthening the international community's and creditors' confidence in the credibility of the government's intention to ensure a long-term sustainability of public finances, in the government's first 100 days in office, we will press ahead with the conclusion of an arrangement with the IMF, and I believe that it will be concluded." (Open Parliament, April 27, 2014)

Expounding the government platform, the prime minister said that during his

cabinet's first 100 days in office, the government "will press ahead with the conclusion of an arrangement with the International Monetary Fund (IMF)," stressing he believes that the arrangement will be concluded. In November, Zuzana Murgasova, the head of the visiting IMF mission, confirmed that an agreement has been reached with the Serbian government on a new three-year precautionary stand-by arrangement, worth some EUR 1 billion. The three-year precautionary stand-by arrangement with Serbia was approved by the International Monetary Fund Executive Board on February 23.

We Are Introducing Incentives for Private Sector Hires



"For ten new hires, the employer will pay payroll taxes for three, while the state will cover the costs for other seven new employees. These measures will especially target the most vulnerable social groups, young people at the beginning of their careers, and those close to the retirement age." (Open Parliament, April 27, 2014)

These measures will especially target the most vulnerable social groups, young people at the beginning of their careers, and those close to the retirement age." (Open Parliament, April 27, 2014)

Expounding the government platform, the prime minister said that employers who hire ten new workers will pay payroll taxes for three, while the state will cover the costs for other seven new employees. In late May, the Serbian parliament passed amendments to the Law on personal income tax, envisaging incentives for

private businesses new hires as of July 1. The refund for hiring up to nine new workers will be 65%, 70% for up to 99 new workers, and 75% for 100 or more new employees. The incentives will be applied over two years.

Fund for Children with Rare Diseases Will Become Operational in September



"A private-public fund for financing treatment abroad of children with rare diseases will become operational in September." (Tanjug, July 31, 2014)

In late July, the health minister said that a private-public fund for financing treatment abroad of children with rare disease will become operational in September. The fund started operating in November, two months past the deadline.

Unfulfilled Commitments Made during Serbian Government's First Year in Office

Flood-Stricken Areas Repair Time Frames

Houses for Flood-Stricken People by October 15



"By October 15, the construction of houses damaged or destroyed in the floods will be completed." (Beta, July 4, 2014)

The head of the government's flood recovery office in early July 2014, said that the repair and construction of the houses damaged and destroyed in the heavy floods that hit Serbia in May would be completed by October 15, 2014. However, on the last day of October, Marko Blagojevic said that "the construction of all

destroyed houses and reconstruction of the flooded houses will begin by the end of the week and will be finalized before the winter."

Schools & Kindergartens in Obrenovac Repaired by November 15



"In Obrenovac, the last school being renovated will open on November 1, while the last kindergarten, Veseljko, will open on November 15." (TV Pink, October 12, 2014)

October 12, 2014)

Prime Minister Vucic visited Obrenovac on August 19, to attend the launch of reconstruction works on elementary school Jovan Jovanovic Zmaj, damaged in the May floods. He then said that works

will be completed by October 15, 2014. However, speaking in TV show "Teska Rec" (Hard Word) prior to the target date, he pushed back the deadline to November 1. Works on schools in Obrenovac, however, went on until after New Year, while kindergarten Veseljko opened only on February 4, 2015.

All Houses Completed by New Year



"All houses currently built will be finalized no later than December 27." (RTS, November 18, 2014.)

In mid November, the Serbian prime minister said that all houses built for the flood-affected people will be completed in a month's time, that is, he stressed, "even with certain possible delays, no later than December 27." Still, houses for all the people who were left homeless in the last year's floods were not completed by the beginning of 2015.

Houses for Flood-Stricken People by Winter



"So far, 10 houses have been completed in the flood-stricken areas. All 218 houses are planned to be ready for families to move in by the wintertime, by the first calendar day of winter." (Istinomer, November 16, 2014)

In mid November, the government's flood recovery office head once again said that all citizens who were left homeless in the May floods and are waiting to move into new houses, will do so by the first calendar day of winter. However, only a portion of houses was completed by the first calendar day of winter, December 22.

Belgrade Waterfront Project

Works under Belgrade Waterfront project To Start No Later than March 1, 2015



"As soon as late February, and no later than March 1, 2015, we will launch construction works under phase A of the entire Belgrade Waterfront development project. It will involve four major facilities, plus the biggest shopping mall in the whole of the Balkans, plus a Tower called Belgrade - the tallest, prettiest and most important building that will become a new 'landmark' of Belgrade." (Studio B, June 27, 2014)

The Serbian prime minister and Mohamed Alabbar, investor from the United Arab Emirates, presented at the renovated building of Belgrade Cooperative (Geozavod) on June 27, 2014, a master plan for the Belgrade Waterfront development project. On the occasion, Vucic said "the construction of the project's first phase A will start no later than March 1, 2015." In March 2015, the prime minister said that the works under the Belgrade Waterfront project will be launched "this summer."

Signing of Belgrade Waterfront Project Right Upon Cabinet Formation



"A Belgrade Waterfront project agreement is in place, but it has not been signed yet as it is pending the formation of a company called Beograd Na Vodi, which will be set up right upon the formation of a new government." (Tanjug, March 7, 2014)

The removal of Belgrade's terminal station railway tracks near the Gazela bridge in early March, was designated as the official launch of works under the Belgrade Waterfront development project. Then head of Belgrade interim administration and incumbent mayor, Sinisa Mali, stressed that an agreement for the

Belgrade Waterfront project has been prepared and will be inked right upon the formation of a new Serbian government, that is, upon setting up a new company called Beograd Na Vodi." The agreement, however, was signed only on April 26.

Construction of Tower Belgrade will Start by end-2014



"Works on Tower Belgrade in Savamala (area stretching along the right bank of the Sava river) will start by the end of the year (2014)."

(Tanjug, March 10, 2014)

Ahead of the city elections last year, then Belgrade interim administration head said that construction works on a tower called Belgrade under the Belgrade Waterfront project will start by the end of 2014. In April 2015, Mayor Mali however said that the first phase of the Belgrade Waterfront development project will begin in late August, that is, in mid September, right after the completion of expropriation process.

Merger of Road Management Companies Koridori & Putevi Srbije in January



"It is for sure that in 2015 it cannot happen that we adopt a decision on the merger of public road management companies Putevi Srbije and Koridori Srbije and to prolong that decision for a month... The merger will take place in January."

(Blic, January 7, 2015)

A decision on the merger of two public road management companies Koridori Srbije and Putevi Srbije was passed by the Serbian government back in August 2014, for to ensure more efficient implementation of the biggest infrastructure projects and reduce the overall costs. Minister Mihajlovic has on several occasions announced the merger, while early this year, she stressed that the decision will not be prolonged and that it will happen in January. It was not done by the end of April.

We Will Levy Higher Income Tax on State Officials



"For to rectify this injustice, a special measure is being developed, envisaging a higher personal income tax on state officials than on other public sector employees. It is not realistic to deduct less from the salary of any state official, than from that of a teacher or doctor."

(Blic, April 14, 2014)

During the postelection government formation period, would-be prime minister Aleksandar Vucic said that new executive authority will impose a higher income tax on top state officials, including the president of the Republic of Serbia, ministers and MPs. However, following the decision to slash pensions exceeding RSD 25,000 and public sector wages as of November 1, salaries of state officials were reduced by RSD 10%, as were those of other public sector employees.

We Will Publish Military Parade Cost



"After the parade, you will know how much it cost and what the money was spent on as we have no reason to hide anything. I would like to stress that the funds for the parade were envisaged under the budget for this year."

(Danas, October 15, 2014)

Ahead of the major military parade in Belgrade on October 16, asked by reporters about the event costs, the defense minister replied that he will furnish the answer after the parade. However six months on, there is still no answer.

Tendering for Companies Slated for Privatization by end-January



"Bids for privatization of companies slated for privatization in Serbia will be invited by the end of January 2015." (RTS, December 4, 2014)

The economy minister said that his ministry has prepared privatization models for companies under restructuring and that bids for some of them will be invited by the end of December (2014), while for most of those firms, bids will be invited in January this year. However, bids have not yet been invited for companies slated for privatization.

Truck Maker FAP To Launch Production as of September



"We would not be here today, if there was not for the resolve by both sides to have that job completed by the end of August (2014). So, as of September 1, first 200 workers will be hired, then 200 more, and then 200 more." (B92, May 30, 2014)

The Serbian government and Finnish truck producer Sisu Auto in May 2014 signed a Memorandum of understanding, which, as said, envisages the signing of a contract in August. On the occasion, the Serbian prime minister said that a first group of 200 people will be hired in the Priboj-based truck manufacturer FAP by September.

Contract with Mercedes-Benz on September 8



"An agreement between Mercedes-Benz and bus maker Ikarbus will be linked on September 8, which will demonstrate that the state cares about this company."

(Blic, August 3, 2014)

In early August, Prime Minister Vucic said that an agreement with Mercedes-Benz will be signed on September 8, under which the German partner will be in charge of the distribution, and which will be followed by first sales agreements for Mercedes-Benz buses made in Serbia. However, an agreement has not been inked till today.

We Will Replace 70% Management in Public Companies by end-August



"This is not a process that can be completed today, we will be dealing with it throughout August and it is to be expected, in line with an agreement I today had with the deputy prime minister and in line with the statement from the last government session, that some 70% of the management in public companies will be replaced by the end of August." (RTS, July 28, 2014)

At its session in Nis, marking a centennial of the outbreak of First World War, the government relieved general managers of seven public companies— railway company Zeleznice Srbije, Belgrade international airport operator Aerodrom Nikola Tesla, diplomatic housing enterprise Dipos, state lottery operator Drzavna Lutrija Srbije, insurer Dunav Osiguranje, the Civil Aviation Directorate (CAD), and the Traffic Safety Agency. The prime minister stressed that it was only a beginning of changes, announcing that 70% of the management in public companies will be replaced by the end of August. However no other top manager at public companies has been replaced since.

Review of Government Platform Objectives

Expounding the government platform before the Serbian parliament on April 27, then premier-designate and incumbent prime minister, Aleksandar Vucic, presented the three pillars of economic and social reforms: 1. strong and credible stabilization of public finances for to halt the public debt growth by 2017; 2. a public sector reform to improve efficiency and quality of public goods and services, which the public sector produces, that is, offers, which practically means a more efficient administration, a more accessible and more efficient healthcare system, a better education system and a more efficient judiciary; 3. improving business climate to swiftly reduce the cost and risk of doing business in Serbia.



On the occasion, the prime minister stressed: *"Reforms that will be carried out in the government's first 100 days in office aim to ensure strong fiscal consolidation for to create the preconditions to bring public finances to a sustainable level and a comprehensive reform of business environment for to create the conditions for investments, job creation and economic growth."* (Open Parliament, April 27, 2014) Even after the disastrous floods which inflicted huge damage to Serbia, the prime minister insisted that he would honor the target dates and agenda contained in the platform.

In mid July, the prime minister reiterated that all objectives listed in the platform will

be accomplished by August 4, except a public sector wage cut. *"Of the 11 objectives I listed in the government platform, we have achieved ten. We have not carried out only one, a public sector wage cut. We have fulfilled 92% of the agenda despite the floods that left a devastating impact on the economy."* (Kurir, July 25, 2014)

Prime Minister Vucic set the following agenda for the first 100 days:

"By the end of July, a set of reform laws will be passed relating to the economy and public finances and social security, which will create conditions for a significant boost of Serbia's competitiveness, as well as for attracting investments and job creation." (Open Parliament, April 27, 2014)

The following laws are in question:

- Labor Law;
- Law on spatial planning and construction;
- Privatization Law;
- Bankruptcy Law;
- Law on pension and disability insurance;
- Law on foreign investments;
- Law on public companies;
- Law on tax procedure and Tax Administration;
- Law on temporary alignment of bases for the calculation and payment of salaries;
- Law on the register of budget beneficiaries and their employees and fixed-contract hires;
- Law on civil servants;
- Law on insurance;
- Mortgage Law.

Fulfilled Government Platform Objectives

Until August 4 (Serbian government's 100 days in office), the following laws were adopted: the Labor Law, the Law on pension and disability insurance, the Law on tax proceedings and Tax Administration, the Bankruptcy Law, the Privatization Law, and a set of media laws, while the Law on civil servants was passed in September.

Labor Law

The passage of this law drew great public attention. When the government adopted draft amendments to the Labor law, the prime minister said that Serbia thereby "basically started the reform process." (Tanjug, July, 12, 2014) A previous attempt early last year to adopt amendments to this law, mostly advocated by then economy minister Sasa Radulovic, fell through amid the pressure of labor associations and "the lack of political will," (Sasa Radulovic, Danas, January, 28, 2014) and shortly after, parliamentary elections were scheduled. Major changes introduced by the new Labor law include a revision of severance payment calculation which does not take into account all years of service, as well as a reduction of salary portion based on the length of the employment record. Displeased with the law, labor associations organized protests, but achieved no success.

Law on Pension and Disability Insurance Fund (PIO)

The law on PIO took effect on July 29, 2014. As it was the case with most of the laws passed by the new parliament, it was adopted under urgent procedure. The most important change introduced by the law is gradually lifting every six months, starting January 2015, the regular retirement age

for women through 2032, when the retirement age will be 65 years, which is the current regular retirement age for men.

Law on Tax Procedure & Tax Administration

This law, adopted in early July 2014, stipulates higher tax evasion penalties, and a more efficient Tax Administration. The act should reduce administration costs and the time resulting from the switch to electronic tax filing. The former finance minister, Lazar Krstic, said that the penalty measures envisaged under the law will introduce order and discourage businesses from maintaining the liquidity through tax evasion.



The opposition argued that a drastic

increase of penalties will push a large number of businesses into the grey zone. Prime Minister Vucic in October said that within the deadline for paying missing taxes, EUR 9 million was collected from Predrag Rankovic aka Peconi, a total of RSD 170,253,019 from port company Luka Beograd in 2014, and RSD 874,260,529 from TV Pink. "Where do we have serious problems? We have with certain companies owned by Dragan Djuric, with some other we have smaller problems, we collect taxes from some. For example, cigarette maker Monus owes tax money; a company owned by Goran Percevic has a huge debt. It is a big disgrace, I am embarrassed to say what I think of that company, but you will soon see the results of the work of relevant state institutions." (Open Parliament, October 24, 2014) Vucic also said that tax inspection found irregularities with fiscal cash register with 70% hospitality venues. "I have to say that I was distressed with the fact that protests have been organized over

demands for tax payment." (Open Parliament, October 24, 2014).

Bankruptcy Law

Comments could be heard from the opposition ranks that the bankruptcy law is only a law on "the legal death" of companies, but then acting finance minister Dusan Vujovic dismissed the allegations, explaining that the government is trying to make it "a reanimation law." He said that the government is trying to preserve some 100,000 jobs in the companies which will be slated for privatization under a new law.

"We are entering a territory of half-dead companies. We aim to preserve as many jobs as possible and reactivate the resources that have been idle for years and are losing on value. If you think that this law would not solve the problem, I invite your amendments to find a good solution." (Minister Vujovic, Blic, July 29, 2014)

Privatization Law

The Privatization law is a *lex specialis*, a special law with priority over general law. It envisages the completion of the privatization process "in a fair and efficient manner" by the end of 2016. The legislation shall regulate the privatization of 584 state and public companies, employing some 100,000 people. The property issues of these companies have not been resolved. Of a total, 161 companies, employing some 55,000 people, are under restructuring. Together with the Bankruptcy Law, it was passed on August 2.

Media Laws

"This year, by the summertime, after 11 years, we will pass three media laws, on public information, electronic media, and public broadcasting services. Also, I want to tell you that these laws will be aligned with the European Commission's recommendations, and also approved by the Venice Commission." (Government platform of Aleksandar Vucic, Open Parliament, April 27, 2014)

Public debates on a set of media laws (the Law on public information, the Law on electronic media, and the Law on public

broadcasting services) were held in several Serbia's towns last year, after which they were sent to Brussels for alignment. What further changes the draft laws had sustained, the public could not learn before they were forwarded to the parliament for adoption under urgent procedure.



The journalists' associations submitted a number of draft amendments, but they also noted that the draft laws envisage state's withdrawal from the media ownership, i.e. privatization, switching from direct budget financing to project financing, transparency of the ownership structure, defining public interest in the public information domain, detailed regulation of rights and obligations of the media and media employees, adequate regulation of the electronic media sector and introducing order in the sphere of public broadcasting services.

Law on Civil Servants

Although the passage of changes to the Law on civil servants was announced for the government's first 100 days in office, they were adopted only on September 10, 2014.

Public Sector Wage Cut by 10%

"It is simply not normal for an average public sector wage to be higher than a private sector average. It is not the case anywhere in the world, it is an unsustainable system and Serbia cannot afford to be the employer to so many people and to pay them that high." (Government platform of Aleksandar Vucic Open Parliament, April 27, 2014)

In late July, the prime minister said: *“Of the 11 objectives I listed in the government platform, we have achieved ten. We have not carried out only one, a public sector wage cut.”* (Kurir, July 25, 2014) The decision to slash salaries was pending the adoption of a budget revision on October 26. Public sector salaries were cut by 10% on November 1. Finance Minister Dusan Vujovic said: *“The remaining burden for the public sector wage bill will be distributed proportionally - by a 10% across-the-board wage cut model, which will apply to all public sector employees, direct and indirect state budget beneficiaries, and public companies, while a progressive decrease model will be applied on pensions, so that higher and high pensions will see more reduction than the lower ones.”* (Open Parliament, October 24, 2014)

Budget Revision

“Accordingly, by the end of June, a budget revision will be adopted based on a defined fiscal consolidation program, which will bring the 2014 fiscal deficit to a substantially lower level than indicated by the current projections.” (Open Parliament, April 27, 2014)

A budget revision was adopted on October 26, at the expiry of the government's six months in office. However, less than two months on, another budgeted revision was adopted on December 25, shortly prior to the adoption of a budget for 2015.

Unfulfilled Government Platform Objectives

Laws Not Adopted

From a set of reform laws designated as objectives in the government platform, the following were not passed:

- Law on foreign investments;
- Law on public companies;
- Law on the register of budget beneficiaries and their employees and fixed-contract hires;
- Mortgage Law.

Privatization of Insurer Dunav Osiguranje

“Privatization of insurer Dunav Osiguranje will start by mid this year as financial statements indicate company’s declining performance, which is yet another proof that the state is a weak entrepreneur and as such should not be present in the sectors where private initiative can operate efficiently.” ” (Government platform of Aleksandar Vucic, Open Parliament, April 27, 2014)



ДУНАВ ОСИГУРАЊЕ

за Ваше добро!

The privatization process of insurer Dunav Osiguranje did not start by April 2015.

Government Platform Objectives Fulfilled Past Deadline

Preparing for Privatization of Mobile & Landline Operator Telekom Srbija

“The privatization will be launched of mobile and landline operator Telekom Srbija as its value will diminish in time. A trend in the European telecommunications industry is a swift regional consolidation for to keep up with the growing technology expenses and a realistic drop in revenues. Telekom Srbija is no exception, so its share in the mobile communications market is shrinking every year, while in parallel it can no longer keep the landline monopoly.” (Government platform of Aleksandar Vucic, Open Parliament, April 27, 2014)

“Preparations for the privatization process should start in the government’s first 100 days in office. In that case, it would be realistic to finalize the privatization next year if so allowed by the market conditions.” (Government platform of Aleksandar Vucic, Open Parliament, April 27, 2014)

In March 2015, the government selected France’s financial advisory firm Lazard Freres SAS to provide management consulting services in the process of Telekom Srbija’s privatization. The adviser is expected to propose possible privatization models for the privatization of Telekom Srbija. Based on a proposal by the privatization adviser, the Serbian government, as a majority owner, should decide on further privatization process by selecting one of the proposed models for the sale of a package of shares in Telekom. This will mark the second phase of the privatization process, during which the adviser will coordinate and handle all activities from the invitation of bids to transaction closing.

Law on Protection of Whistleblowers

"As early as June, a Law on the protection of whistleblower will be passed, which will provide the protection to citizens who are ready to report corruption they detect in relation to their work." (Government platform of Aleksandar Vucic, Open Parliament, April 27, 2014)

The passage of a Law on the protection of whistleblowers has been on several occasions announced by Justice Minister Nikola Selakovic, with deadlines for the law adoption broken several times.

The Justice Ministry on June 24 published a new version of a draft law on the protection of whistleblowers, the Serbian government adopted a draft law on the protection of whistleblowers on October 2, and the parliament passed a law on November 25, 2014.

We Will Adopt Law on Inspections Oversight

"Aside from this, by the end of the year, a Law on inspections oversight will be adopted, designed to put inspection services under a single roof - market inspectorate, labor inspection, community inspection and ensure a better coordination with the Tax Administration." (Government platform of Aleksandar Vucic, Open Parliament, April 27, 2014).

A Law on inspections oversight was passed in mid April 2015, which, according to the Ministry of Public Administration and Local Self-Government, will help curb the grey economy. The law envisages collaboration and coordination between inspection services through a future coordinating body, which will be set up by the Serbian government. The implementation of the law will begin in 12 months after it comes into force so as to allow time to harmonize other accompanying regulations and rulebooks with the new legislation.

We Will Adopt Law on Spatial Planning and Construction

"A Law on spatial planning and construction – the introduction of an electronic register and an electronic

system for issuing building permits, reducing the number of institutions involved in the permit issuing process, cutting deadlines for issuing permits, removing hold-ups, setting up a fast response office, slashing bureaucracy, and curbing corruption customary for the construction sector." (Government platform of Aleksandar Vucic, Open Parliament, April, 27, 2014). A Law on spatial planning and construction was passed on December 8. Changes passed enable obtaining a construction permit within five days and all required permits within 28 as opposed to 240 days previously required for the same process.

Law on Insurance

A Law on insurance was adopted on December 18. The new legislation more precisely defines the central bank's activities related to controlling the banking sector and licensing insurance companies, and also gives it the authority to impose penalty measures.

Law on temporary alignment of bases for the calculation and payment of salaries and compensation by budget beneficiaries, i.e. pay grades

This law, passed on October 26, 2014, is part of the fiscal consolidation measures, which facilitated pension and public sector wage cut. Still, a law on pay grades is yet to be adopted.



"A first version of a draft law on public sector salaries is ready and it could be presented in early May. It envisages the introduction of 60 pay grades," deputy prime minister and public administration and local self-government minister, Kori Udovicki, said. (Tanjug, March 26, 2015)

Fiscal Consolidation

“For a fiscal consolidation program to produce effect, it is necessary to start its implementation as soon as possible. Accordingly, by the end of June, a budget revision will be adopted based on a defined fiscal consolidation program, which will bring the 2014 fiscal deficit to a substantially lower level than the current projections indicate. Without fiscal consolidation, this year’s deficit would be as high as 8%, which we must not allow at any cost. With such a large deficit, we would be the worst country in Europe.”

(Government platform of Aleksandar Vucic, Open Parliament, April 27, 2014)
“The bulk of regulations that will ensure the required consolidation will be adopted under a set of laws planned for the summer and will thereby be integrated in a budget revision.” (Government platform of Aleksandar Vucic, Open Parliament, April 27, 2014)

Target dates for the adoption of a budget revision were also set by then finance minister, Lazar Krstic. He said a law will be adopted in June, but after the May floods, he pushed back the deadline to July. Dusan Vujovic, then acting finance minister, announced a budget revision for mid September. The Serbian parliament adopted a budget revision only on October 26.

Parametric Reform of Pension System

“The adoption of a parametric reform of the pension system.” (Government platform of Aleksandar Vucic, Open Parliament, April 27, 2014) The Law on Pension and Invalid Insurance (PIO) introduced a parametric reform, primarily envisaging a different calculation of the size of pensions for to align them with the amount paid in contributions during years of service. It so introduced “deductions” i.e. a reduction of pension checks for retiring before the envisaged retirement age.

Clampdown on Grey Economy

“A decisive fight against the grey economy.” (Government platform of Aleksandar Vucic, Open Parliament, April 27, 2014)

According to the Finance Ministry, a lower-than-expected budget deficit in the first two months of 2015 was, among other things, owing to a more efficient work of the relevant state services in curbing the grey economy since the second half of 2014. The ministry's figures show that improved tax collection in the last quarter of 2014, increased state revenues by between RSD 4 and RSD 5 billion.

In mid April, a Law on inspections oversight was passed, which, according to the Ministry of Public Administration and Local Self-Government will help curb the grey economy. The legislation envisages a collaboration and coordination between inspection services through a future coordinating body, which will be set up by the Serbian government. The implementation of the law will begin in 12 months after it comes into force so as to allow time to harmonize other accompanying regulations and rulebooks with the new legislation.



**ZAJEDNO
PROTIV KORUPCIJE**

Combating Corruption

“The government will also invest special effort toward soon opening of negotiating Chapters 23 and 24 dealing with combating corruption and the rule of law. We will try to make it happen by the end of the year, but it is more realistic to expect it to happen early next year.” (Government platform of Aleksandar Vucic, Open Parliament, April, 27, 2014)

In the government platform, the prime minister placed curbing corruption high on

the priority list. In August 2014, Serbia set up a coordination body for combating corruption, chaired by Prime Minister Vucic. This body, among other things, was set up to ensure a more efficient implementation of the National Anti-Corruption Strategy.

Radomir Ilic, state secretary for coordination of activities stipulated under the Anti-Corruption Action Plan at the Justice Ministry, said: "The combating corruption effort in Serbia is headed by the prime minister, who receives most assistance from the justice minister and his team. However, corruption is present in all segments of the society and it must be combated everywhere, which is why at some point, every ministry and every state body must take its share of responsibility in fighting corruption. It is important to establish coordination in the anti-corruption effort for not to allow any random activities, but rather to ensure that they are well planned out, efficient, expedient and as cheap as possible." (Politika, September 21, 2014)

However, the Anti-Corruption Agency's annual report on the strategy implementation states that "of 372 activities planned for 2014, 54 were executed timely and in line with performance indicators, 38 were carried out with delays or inappropriately, while for 17 it was not possible to obtain data on whether they were executed in line with the Action Plan. In most cases, nonfulfillment was justified with the absence of prerequisite activities, which were dependent on changes to the crucial anti-corruption legislation which the parliament did not pass, namely, a law on the financing of political activities, a law on the free access to information of public importance, and a law on the Anti-Corruption Agency. (NIN, April, 23, 2015)

As evidence of the government's resolve to combat corruption, the prime minister cited the arrest of businessmen Goran Percevic and Miroslav Bogicevic in November last year. The two

businessmen were arrested on suspicion of embezzlement at several state-owned banks.

Tackling of Companies under Restructuring

"Devising models and creating a relevant legal framework for the tackling of companies under restructuring. At the moment, there are 157 companies under restructuring and most of them are economically unsustainable. Steel maker Zelezara Smederevo and furniture maker



Simpo should be added to this list as under the current circumstances they cannot continue their business operations in this way for a long, and it is our obligation to try and give our best to enable them to continue operating and producing." (Government platform of Aleksandar Vucic, Open Parliament, April 27, 2014). "The bulk of these preparatory activities will be carried out already in May, with the aim to finalize a great portion of the restructuring process by the end of the year." (Government platform of Aleksandar Vucic, Open Parliament, April 27, 2014)

"We have been given a strong mandate for changes, a strong mandate to recover economy. That is why we set a target date – January 1, 2015, until when all these companies will finally be restructured." (Government Platform of Aleksandar Vucic, Open Parliament, April 27, 2014)

Still, four months into the new year, the completion of the privatization process is not in sight, with Privatization Agency Director Ljubomir Subara expecting no finalization by the end of the year.

“Privatization of majority state-owned 512 companies will most likely not be completed by the end of the year. It is mainly owing to the ambiguity and vagueness existing in certain legislation, unresolved property issues, paperwork and the very employees in the Privatization Agency and the companies slated for privatization. The agency employees certainly fear of eventually losing their jobs. Nor is the process favored by the managements in those companies. They are probably not too badly off, so if the process could be prolonged for a couple of months or possibly a year, it would be worth it. Then there is the paperwork circulating between the Privatization Agency, the Economy Ministry, the Restitution Agency, and the Geospatial Office. Just enough for each to add its share of paperwork and when you mix it all up, you get this. Now we are trying to turn it all upside-down.” (Politika, April, 5, 2015)

Steel Maker Zelezara Smederevo

The perplexity of the tackling of companies under restructuring on side, and a frivolous approach to the problem on the other, is best reflected in the case of steel maker Zelezara Smederevo. The initial plan to sell Zelezara to the US-based steel company Esmark flopped as negotiations with the company, according to Serbian officials, failed to reach an agreement on the amount of state guarantees as Esmark was not ready to invest USD 20 million. Although this company was seen by Prime Minister Vucic as the savior for the ailing Smederevo giant, suddenly a savior came in the form of “a professional management services” for Zelezara, envisaged under a backup plan.

Following an unsuccessful tendering for Zelezara Smederevo and a failed deal with Esmark, the Serbian government invited offers for a management services agreement. Of the three short-listed suitors, Esmark included, the government awarded the agreement to the Netherlands-registered HPK Engineering.

According to media reports, USD 340,000 will be allocated monthly for salaries and other costs of the 25-member management team. (Tanjung, March 21, 2015) The management is now “expected to do the impossible” – to make a turnaround in this heavily indebted company's operations.



The agreement between the government and HPK Engineering was signed on March 21, when the prime minister yet once again underlined his confidence that the management will perform well. “Last year, we produced 560,000 metric tons, this year we will double the output, and next year we will triple it. Of course, it will not be easy, but your salaries will be increased, you will be working full-time, your future is guaranteed. All 5,042 will keep their jobs, and the number of employees will never fall below 5,120. As of today, Smederevo's revenues are up some RSD 100 from the last year which will help the development of the entire city and the whole of Podunavlje District.” (Politika, March 21, 2015)

In April, questions arose as to how the newly appointed management is running Zelezara. New Serbia party MP Dragan Jovanovic asked the authorities about their plan to protect domestic companies because, he claims, “the Smederevo steel maker has conditioned 24 domestic companies, Zelezara's suppliers, to sell their goods at prices 15% to 20% lower than the market prices. This way, you can make any company operate in the black. There arrive 21 foreign managers and

right away start 'combing' the suppliers." (B92, April 16, 2014)

Restructuring of Railway Company Zeleznice Srbije

"Zeleznice Srbije should be restructured by the end of this year and also unbundled into three separate firms - a passenger transport operator, a freight transport operator and an infrastructure management firm. Freight transport is a profitable activity which would attract potential investors and it should be privatized. A passenger transport operator and an infrastructure management firm would remain in state ownership, but there should be clear rules as to what the state will subsidize." (Government platform of Aleksandar Vucic, Open Parliament, April 27, 2014)

Of all the companies under restructuring, only the process with Zeleznice Srbije is going by plan, Zorana Mihajlovic, Serbian deputy prime minister and minister of construction, transportation and infrastructure, said in April this year. She said that as of July 1, Zeleznice Srbije will start operating as a holding firm with three separate firms (an infrastructure management firm, a passenger transport operator, and a freight transport operator), while the reform process will be completed in three years. (Beta, April 17, 2015)

Consolidation of State-Owned Banks & Other Financial Institutions

"Aside from fiscal consolidation, other equally important economic policy elements will be addressed in the government's first 100 days. Consolidation of state-owned banks and other financial institutions. Another important measure that will be carried out shortly will relate to establishing full management of realized risk in the state-owned banks which considerably affect the budget. In the first 100 days, the state will tackle operations of state-owned banks through adequate financial operations, privatization, consolidation and management professionalization. This process will be finalized in 2014." (Government platform

of Aleksandar Vucic, Open Parliament, April 27, 2014)

In February this year, the Serbian parliament adopted a set of six laws designed to step up bank control and enabling early intervention by the National Bank of Serbia (NBS) when dealing with troubled banks.



The parliament adopted the Law on changes and amendments to the Law on banks, the Law on the Deposit Insurance Agency, and the Law on bankruptcy and liquidation of banks and insurance companies. Also passed were the Law on amendments to the Law on ministries, the Law on deposit insurance, and the Law on changes and amendments to the Law on the NBS.

The Law on changes and amendments to the Law on banks establishes a comprehensive bank resolution framework and enables the NBS to use a wider range of instruments when dealing with troubled banks, before and after de-licensing. It also establishes a comprehensive legal framework for the restructuring of banks. NBS will take over the authority to restructure banks, wherein this process will be separated from banking supervision.

This law also envisages the establishment of the bridge bank tool, which will be licensed by the NBS at the state request.

These measures aim to preserve financial stability at the least possible cost, through

a mechanism ensuring that shareholders, followed by uninsured creditors, would be the first to bear losses in case of financial difficulties of a bank, but cannot shoulder greater losses than they would through regular bankruptcy proceedings.

The Law on Deposit Insurance Agency voids the agency's authority over the restructuring of banks, as well as over carrying out the least cost tests. This will simplify the agency's operations and align them with corresponding international institutions.

The Law on bankruptcy and liquidation of banks and insurance companies introduces a mechanism to step up bankruptcy and liquidation process. In conformity with the EU directives, priority is given to depositors with insured deposits when distributing a bankruptcy estate in line with a law regulating deposit insurance.

The Law on amendments to the Law on ministries transfers authority over the management of banks with state-owned shares, the establishment of the bridge bank, the sale of state shares, as well as the sale of state and social assets in insurance companies onto the Ministry of Finance.

The Law on deposit insurance increases insurance premiums in line with risk that needs to be covered. At the same time, it limits the use of funds accumulated in a fund, managed by the Deposit Insurance Agency, only up to the amount equivalent to insured deposits and only for the payment of insured deposits or financing the restructuring process, in amount and under terms defined under a law regulating banks. The fund will be financed with deposit insurance payments by banks.

The Law on changes and amendments to the Law on the NBS was passed for to ensure alignment with the Law on payment services and the Law on

changes and amendments to the Law on banks.

Reduction or Per Diem, Travel, Hospitality & Associated Expenditure

"A substantial reduction in discretionary spending on per diem and a drastic reduction of travel, hospitality and associated expenditures. A substantial reduction of the costs related to the use of state cars, where hold a European record. A minimum number of people below ministerial level will be entitled to use state cars. Many from this and many other places as within the coming days will have to part with their state cars. You have your salary, get yourself a car and drive it and do not drive the state money and do not spend the state money." (Government platform of Aleksandar Vucic, Open Parliament, April 27, 2014)



The government passed a Decree on the use of state cars by public administration bodies, other state bodies and public agencies. This decree lays down the rules for a rational use of state cars for to, as stated, achieve maximum spending cut and ensure work efficiency. Under the decree, the right to high-class state car at all times is granted to the president of the Republic, the parliament speaker, the prime minister and deputy prime ministers, the Constitutional Court president and the Supreme Court of Cassation president. Prime Minister Vucic however, said that he is not fully happy with the application of this decree. He only praised Interior Minister Nebojsa Stefanovic, saying that other ministers have not understood the need for a cutback on the state cars use. The

ministers responded saying that they honor the government's decree.

The Serbian parliament has downsized its fleet from nine to five vehicles. Railway company Zeleznice Srbije has decided to sell 170 official vehicles to cut down on expenses. The entire executive board of state bus transportation company Lasta, including general manager Velibor Sovrovic, has been fired for, as explained, inactivity, and irresponsible and wasteful behavior.



would enable their privatization. (Tanjug, May 3, 2014) The minister stressed that a draft law on sport has been completed and that the only remaining issue is the transformation of sport clubs which should envisage two or three privatization models. (Tanjug, July 15, 2014)

In September, Minister Udovicic said that his ministry has prepared draft privatization models for sport clubs Red Star and Partizan, adding that the matter is now in the hands of the ministries in charge

of privatization and property issues. (Dnevnik, September 7, 2014) Although a cutback in state donations to sport clubs was one of consolidation measures announced by the prime minister, in early March this year, he said that this promise will be difficult to keep. Serbian Prime Minister Aleksandar Vucic said that he takes the responsibility for that the privatization of sport clubs Red Star and Partizan has not started yet, noting that he is "not strong enough and obviously does not have enough authority."

Reduction of Donations to Sport Clubs & Introducing Stimulus for Their Privatization

"A reduction of state donations to sport clubs and introduction of stimulus for privatization in the sector." (Government platform of Aleksandar Vucic, Open Parliament, April 27, 2014)

Shortly after the cabinet formation, Youth and Sport Minister Vanja Udovicic said he is given six months to draw up amendments to the Law on sport, which

Ministries' Performance Reports

With the expiry of the Serbian government's first year in office, Istinomer, referring to the Law on free access to the information of public importance, requested from all ministries to submit their respective performance reports for the past year (from the day of the government formation on April 27 until today), as well as the information about concrete activities carried out during that period. As few as four ministries submitted to Istinomer their respective reports on the results they achieved over the past year.

We addressed 16 ministries, the office of the minister without portfolio in charge of emergency situations, the office of the minister without portfolio in charge of EU integration, the Government's EU Integration Office, the Office for Cooperation with Civil Society, the Office for Human and Minority Rights, the Office for Kosovo and Metohija, and the Flood recovery office.

Whatsoever no reply was provided by the Ministry of Trade, Tourism and Telecommunications, the Ministry of Foreign Affairs, the Health Ministry, and the Ministry of Labor, Employment and Veteran and Social Affairs, as well as by the office of the minister without portfolio in charge of emergency situations, the office of the minister without portfolio in charge of EU integration, the EU Integration Office, and the Office for Human and Minority Rights.

Most of the ministries referred us to the Serbian government's agenda for 2014 and 2015, containing plans of activities for all ministries and government's special organizations and services, which is available on the government's General Secretariat's website, or emailed to us the very same plans. The Ministry of Culture and the Ministry of Economy submitted sections relating exclusively to their respective ministries, while the Ministry of

Youth and Sport said that they "could possibly submit a plan of activities for 2014." The Ministry of Mining and Energy replied that "for to access plans of activities, we have to address the Government of the Republic of Serbia."

Although Istinomer asked the ministries to furnish a list of the activities implemented in



РЕПУБЛИКА СРБИЈА
МИНИСТАРСТВО ГРАЂЕВИНАРСТВА,
САОБРАЋАЈА И ИНФРАСТРУКТУРЕ

this period, most of them insisted that they cannot provide documents as they are putting together a report on the activities they carried out in 2014.

Such replies were submitted by the Ministry of Construction, Transportation and Infrastructure, the Ministry of Finance, the Ministry of Youth and Sport, the Ministry of Economy, and the Ministry of Agriculture and Environmental Protection. These ministries said that the document requested is submitted to the Serbian government's General Secretariat, who shall then adopt a report for the previous year by May 1 of the ongoing year.

Along with the above mentioned explanation, the Ministry of Defense noted that only after the defense minister presents the ministry's performance report before the government, they will be able to "submit to us the requested report." The Ministry of Mining and Energy informed us that they already have a report covering the government's first year in office and have forwarded it to the government, noting that it will be available to the public upon the

adoption. The Ministry of the Interior briefed us that their activities are available on the ministry's website.

The Ministry of Culture and Information furnished their quarterly work reports. Four reports (April-June 2014, July-September 2014, October-December 2014, January-March 2015), on a total of 117 pages covering the period from April 2014 to March 2015, contained legislative activities, financing and co-financing of certain visits, projects and cultural institutions, and culture minister's meetings for every month covered. As one of more important legislative activities in the field of media and information, the ministry cited the adoption in August of three important media laws: the Law on public information and media, the Law on electronic media, and the Law on public broadcasting services.



The Ministry of Education, Science and Technological Development replied that a report for the period April 27 - December 23, 2014, which they submitted to the government, is available on their website. They also noted that they are currently composing a special report which will be forwarded to the government by the end of April. The report available on the ministry's website, covering nearly eight months of ministry's work, contains only five pages, one of which refers to the activities planned for 2015, while other pages display legislative activities, those in the areas of early childhood education and education, science and technological development and international educational and scientific

cooperation. As one of the important activities carried out, the report highlights the adoption of the Law on changes and amendments to the Law on high education. Another important activity listed is the start of a second phase of project "Kindergarten without borders – expanding early learning opportunities for young children," which the ministry carries out in cooperation with the UNICEF and the Center for Interactive Pedagogy. The project aims to include as many as possible children under an inclusive preschool learning and education system. An agreement was signed with the EU on Serbia's participation in Horizon 2020 Research and Innovation framework program.

The Ministry of Justice in its reply said that the report is being composed and should be submitted to the General Secretariat by the end of April. The ministry still submitted a report on the government's first 100 days in office (April 27 – August 4, 2014), which the justice minister handed to the prime minister. The two-page report covers the following sections: legislative activities, judicial professions, building judicial infrastructure and the infrastructure of the Directorate for Execution of Penitentiary Sanctions. Along with this report, the Ministry of Justice delivered a document containing results of the ministry's work in the government's first year in office and objectives for the next year. A list of important results produced in the past year includes the start of notaries public practice. As regards curbing corruption, the ministry underlined the adoption of the Law on the protection of whistleblower and a strategy for financial fraud research. Also, in the field of judicial and penitentiary facilities infrastructure, construction or renovation works were performed on the Belgrade First Basic Court building, the Basic Court building in Leskovac, the Misdemeanor Court building in Nis, and Block C of the Correctional Facility in Nis.

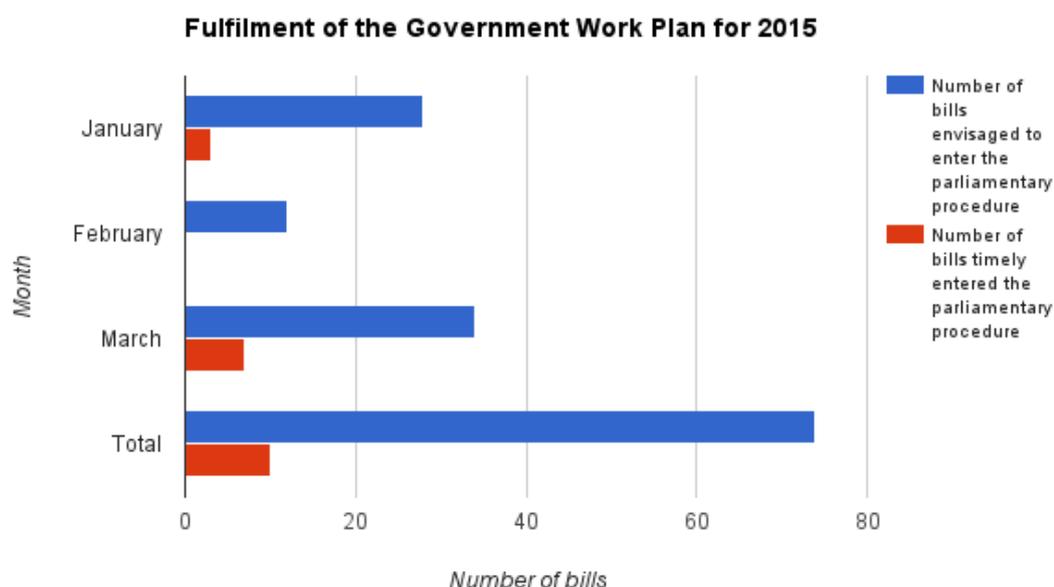
The Ministry of Public Administration and Local Self-Government replied that their "information booklet," available on the

ministry's website, contains the requested information for periods April-June, July-September, and October-December 2014. They also submitted a document containing the ministry's most important activities in the government's first year in office and priority objectives for the next period, as well as a sheet with a list of laws planned for adoption no later than June 2015. The ministry stressed that "owing to dedicated work of the ministry and also the establishment of capacities and plans for the implementation of the public administration reform" the ministry has been granted by the EU a mid-term assistance in the amount of EUR 80 million intended for 2016-2018 public administration reform. As its most important achievement, the ministry underlined the development of a draft law on public administration streamlining, and a draft law on public sector salaries, as well as a vision in place for public administration reform that will span three years, aimed to produce better efficiency along with the necessary spending cut.

Replies also came in from the flood recovery office.

In the first three months, the ratio of the draft laws submitted to the National Assembly and the number planned for this year is a mere 13.51%, shows a survey conducted by the Open Parliament.

The government's 2015 agenda envisages the submission to the parliament of 74 draft laws in the January-March period, of which, however, only ten were forwarded to the parliament for adoption. Of a total of 16 ministries, ten have submitted not a single of the planned draft laws. In this segment, the record-holder is the Ministry of Construction, Transportation and Infrastructure which has submitted none of 21 draft laws planned. Five ministries only partially fulfilled the plan, with the Ministry of Finance reporting the highest rate of 60% (of five planned, three were submitted). The Ministry of Culture and Information is the only one which was not supposed to submit any draft law to the National Assembly.



Events that Marked Serbian Government's First Year in Office

Floods

Only two weeks of the new government assuming office, a large part of Serbia and the region were hit by disastrous floods, caused by heavy rainfall. In September last year, another wave of floods hit eastern parts of Serbia, leaving devastation behind. Nearly a year later, the flood recovery office estimated the flood-caused damage at a total of EUR 1.7 billion, with the energy sector sustaining the biggest damage of EUR 800 million. According to the office, until April 14, some EUR 229 million was secured in grants, while the World Bank in October approved a USD 300 million for the recovery effort in the fields of energy, agriculture and water management. Through April 14 this year, financial assistance in the amount of RSD 4.7 billion was provided to a total of 19,772 households, according to the flood recovery office. The office figures show that 224 houses were built, while 162 families received the funds to build houses.



Construction of 35 houses is underway, with an additional EUR 9 million being allocated from the EU donations to cover the costs for the completion of works on homes for which the state assistance was not enough. The EU donations have thus far provided for the repair of 1,000 houses for most severely flood-stricken households. According to previous statements by flood recovery office head Marko Blagojevic, the houses destroyed in the floods should have been completed by October 15, 2014. (Beta, July 4, 2014) It was not done, so Blagojevic extended the deadline until "the beginning of winter." (Istinomer, November 16, 2014) However, until the first calendar day of winter, December 22, only 115 houses were built. Promises were also made by Prime

Minister Vucic that all houses will be ready for the winter, more precisely, by the New Year. "All houses being built, will be completed by December 20, and taking into account possible delays, all will be ready no later than December 27." (RTS, November 18, 2014) The prime minister also announced that schools and kindergartens in Obrenovac will be repaired by November 15. (TV Pink, October 12, 2014) Later on, however, the deadlines were pushed back several times, and kindergarten Veseljko in Obrenovac opened only on February 4, 2014.

The flood recovery office report states that 23 elementary and high schools and kindergartens in Sabac, Svilajnac, Obrenovac and Paracin are being repaired

with EU's EUR 2 million donation. Norway's EUR 4 million donation was used for the reconstruction of buildings and equipment in a total of 35 kindergartens, and health, cultural and sport

properties, according to the office's report. Thus far, donations have helped raise EUR 800 million for the reconstruction of flood defense and flood prevention infrastructure. These funds along with RSD 500 million from the state coffers should be used to complete works on infrastructure facilities at 100 locations during the spring, the report says.

As regards flood prevention measures, in December 2014, the Serbian government adopted a National natural disasters risk management program, which will be carried out in cooperation with the World Bank, the UN and the EU. More than EUR 70 billion has been secured for the program implementation.

The flood recovery office report further stated that EUR 8 million in assistance was provided to more than 15,000 agriculture households, thanks to the EU donations. They will receive aid relief packages containing equipment, planting seeds, domestic animals and similar. The implementation of a program to finance subsidies for agriculture producers in 49 flood-affected municipalities has been agreed in cooperation with the World Bank. The USD 35 million program should be carried out during 2015. The Serbian government has adopted a National program for economic recovery of the flood-stricken areas, setting aside RSD 500 million for the repair works and fostering economic activity.

According to figures submitted to Istinomer, through April 14, 2015, assistance in the amount of RSD 55 million

was paid to 196 agricultural entities. Organization Transparency Serbia in mid February this year, published an estimate based on 77 monitored procedures and analyses of 45 procurement procedures, showing that flood recovery related procurement procedures were transparent. They were conducted in line with the Law on flood recovery effort, adopted in July last year. According to Transparency's analysis, deadlines were not honored in 14 cases, but works were completed, in 13 works were not completed, while in five, works were completed in time.

Flood recovery office head Marko Blagojevic in mid April said that nearly 1,000 criminal complaints were filed against those who obtained recovery approval forms based on false statements. He said: "The construction of a new house or payment of the equivalent to the building costs were blocked in 45 cases, which helped prevent misappropriation of some



EUR 1 million." (Vecernje Novosti, April 13, 2015)

In early January, Marko Blagojevic said that the recovery effort will be completed within the first year of the May floods, while roads and floodbanks will be repaired much earlier. (Blic, January 16, 2015) In late March, he said that the fixing of problems with 58 landslides endangering roads will start in April, stressing that it a several-decade long problem and that the state will have difficulties ensuring the money for a full repair "at least not in the near future." "Now we have funds from the United Nations and Japan's donation for the development of a register of landslides with detailed descriptions of every landslide location. After doing this, we can address the priority problems." (Tanjug, March 30, 2015)

In Obrenovac, one of the towns which sustained the heaviest damage during the floods, a protest rally was held in mid April, demanding from the relevant authorities to complete floodbanks in the shortest time possible. Also present was municipality chief Miroslav Cuckovic. According to Goran Mitrovic, Obrenovac 2014 business club president, works on floodbanks and drainage system in the Obrenovac municipality were stepped up the moment the police was notified of a protest. "A day before the police was notified, we had toured floodbanks only to find the situation that was not encouraging. Workers on the floodbanks said they lacked gasoline and were not paid salaries. The day after the protest, machines were working, there was enough gasoline, all were active doing something. Also works are underway on the drainage system," Mitrovic said. (Istinomer, April 16, 2015)

An international donor conference for flood recovery in Serbia, held in Brussels on July 16, pledged a little above EUR 995 million. Slightly over EUR 106 million in donations, and around EUR 889 billion in loans, which Serbia will have to repay under more or less favorable terms. The biggest donor is the European Union with EUR 80 million. Switzerland donated EUR 5.9 million and Japan EUR 5 million. Norway allocated EUR 4.1 million, and Austria, Sweden and the US EUR 2 million each. Turkey set aside EUR 1.35 million, Great Britain EUR 1.25 million, France EUR 1 million, and Hungary donated EUR 500,000. Algeria disbursed EUR 370,000, Slovakia slightly under EUR 330,000, Slovenia EUR 150,000, Macedonia and Albania EUR 100,000 each, while the Czech Republic donated EUR 111,111. At the Brussels donor conference, Poland allocated EUR 80,000, while Armenia, India, Indonesia and Morocco pledged EUR 74,000 each. Bulgaria disbursed EUR 50,000, Mexico EUR 37,000, while Canada set aside EUR 36,000. The smallest donation came from Andorra, EUR 7,500. (Tanjug, July 28, 2014)

Censorship & Self-Censorship

Head of the EU Delegation to Serbia Michael Davenport said that three phenomena affect the freedom of speech in Serbia - self-censorship, website shutdowns and intimidation of individuals who were detained and arrested after the floods for their comments on social networks. (Tanjug, June 10, 2014)

In late May, Belgrade police arrested three persons on suspicion of posting inaccurate information on social networks about the number of casualties in the floods. Belgrade Police Chief Veselin Milic said that the suspects were charged with the attempt to "spread panic and incite civil unrest." (B92, May 29, 2014)

Website Pescanik was taken down after publishing the text about the PhD thesis of Interior Minister Nebojsa Stefanovic. The

website was blocked for days and the conflict surrounding it reached state level. Until today, it has not been discovered who was behind the attacks.



The April formation of the government cost journalist Srdjan Skoro his job too. The day the government was set up, April 27, as the desk editor of daily Vecernje Novosti, he criticized the selection of some of the ministers on RTS morning program. On the same day, the SNS issued a press release calling the state TV a "forum for coarse attacks on Aleksandar Vucic." (Tanjug, April 27, 2014) Ten days later, Skoro was replaced as desk editor without explanation, only to be transferred to sports daily Sport.

A number of websites were taken down during the catastrophic May floods in Serbia. Website Teleprompter.rs was taken down, and Nenad Milosavljevic's blog, one of the editors of satirical website Njuz.net, was hacked after he posted a comment with the title "State, we'd hate to keep you any longer," where he lists the mistakes the state made during the natural disaster.

The blog of one of the most popular websites in the country, Blic.rs, no longer exists. The reason, at least unofficially, was the text "I, AV (Aleksandar Vucic), resign," posted by Dragan Todorovic, journalist of weekly Vreme, on his account on the media website.

Dissatisfied with the OSCE's criticism, Prime Minister Vucic confronted Dunja Mijatovic, OSCE representative on freedom of the media, and Paula Thiede, Deputy Head of the OSCE Mission to Serbia,

claiming that the organization is not telling the truth about censorship in Serbia.



Dunja Mijatovic had previously urged the authorities in Serbia to cultivate unrestricted debate on issues of public interest especially in times of crisis such as the floods in the region.

After the summer break some of the political TV shows are no longer on the air. Taking off the air “Utisak Nedelje” (“Impression of the Week”) on B92, i.e. the management’s offer to Olja Beckovic, the author of the TV show, to move to the far less popular channel B92 Info, was met with the loudest public outcry. Olja Beckovic turned down the offer, revealing that Prime Minister Vucic himself had phoned her on more than one occasion after the show.

Taking the “Impression of the Week” and “Sarapin Problem” (“Sarapa’s Problem”) off the air was met with protests in front of the B92 and Studio B buildings and, with its Manifesto on media freedom signed by over 1,000 citizens, the Independent Journalists’ Association of Serbia (NUNS) demanded a public hearing on the media freedoms at the parliament.

The European Federation of Journalists (EFJ) supported its Serbian members’ protest against the RTV B92 management’s decision to take “Impression of the Week” off the air, saying that the decision “smells like censorship.”

Media associations have on many occasions reacted with statements on media freedoms and journalists’ safety. They were concerned about the fact that

the attacker on the editor of agency Fonet in early July has still not been discovered, about the threats to the journalists of portal Juzne Vesti, and the insulting comments in some tabloids during the Pride Parade.

NUNS was also provoked by the criticism of Prime Minister Vucic, who, presenting the contract with airline Etihad Airways, called Vreme “Miskovic’s newspaper” because it had published an article of the Balkan Investigative Reporting Network (BIRN) about Serbia’s obligations under the contract with Etihad Airways. The association was also “deeply worried” by the way Prime Minister Vucic reacted to the questions of Blic reporter Tamara Spaic at a press conference.

The European Commission 2014 Progress Report on Serbia states that though three laws have been passed in line with the media strategy to improve the situation in the media sector, “there are concerns about deteriorating conditions for the full exercise of freedom of expression.”

In late February this year, the Anti-Corruption Council published a second report on the ownership structure and control of media outlets. The report said that media outlets are facing five major problems: continued absence of transparency over media ownership and sources of media funding; economic effects of budget financing, problem of media privatization and uncertain status of public broadcasting services, censorship and self-censorship, as well as the tabloid journalism. One of the most important report’s conclusions is that of the analyzed media outlets, more than half lack clear ownership information, that is, of the reviewed media outlets, as many as 27 lack transparent ownership structure, while more than half of the most influential media outlets have an off-shore registered company as the ultimate beneficial owner. The recently exercised officials’ practice of avoiding TV shows whose hosts they deem to be disfavoring of them is perceived as a new form or pressure on the media. This

was cited by well-known journalist Danica Vucenic as the reason for her withdrawal from journalism. She said that after her interview with Olja Beckovic, officials kept ignoring the invitations to take part in her show "Jedan Na Jedan" ("One On One"), aired on RTV Vojvodina.

In his annual report, Ombudsman Sasa Jankovic stressed that the media in Serbia are not free to an extent characteristic of a modern European state and society. "The moves of country's officials and circumstances in the media market are conducive to self-censorship or tendentious reporting which is detrimental to the right of each and every citizen to be timely, accurately and fully informed about the issues of public importance, as guaranteed by the Constitution," said the report.

Show "Reporter" discontinued broadcasting on TV B92 only after one edition aired, with the TV station explaining it was done for "the safety of journalists." "Taking off the air show "Reporter" on TV B92 amid threats to journalists is yet another unfortunate indication of endangered media freedoms and the real situation in Serbia's media sector," the Independent Journalists' Association of Serbia (NUNS) said.

EU Commissioner Johannes Hahn in February said: "I have already several times heard about media freedoms violations in Serbia and I always request evidence, as allegations are not enough," Hahn told a group of journalists in Brussels. (Tanjug, February 16, 2015). Dunja Mijatovic, OSCE representative on freedom of the media, met in Belgrade with Prime Minister Vucic, specifying that she has never accused the state of hacking certain websites or censorship allegations, but has rather "requested from the state to do everything in its power to prevent such practice. It is a big difference." (Danas, March 26, 2015)

In the meeting with Dunja Mijatovic, Prime Minister Vucic said that "the government aims to bring the level of media freedoms to that characteristic of all

Western European countries," expressing the readiness to endorse OSCE's recommendations and suggestions on how to improve the situation in the media sector. (Tanjug, March 27, 2015)

Pressure on Ombudsman

"Who is attacking him? We do not have a problem with someone expressing a different political opinion. We respect that, everyone in our country has the right and liberty to express different political views. Neither we are replacing, nor touching him. Let the man do his job to the best of his knowledge, while the citizens are those who will judge us all," Prime Minister Vucic replied when asked whether he will protect Ombudsman Sasa Jankovic from frequent attacks by certain media outlets, non-governmental organizations, several ministers, and also members of the Serbian Progressive Party (SNS). (Tanjug, April 20, 2015)



In April, several SNS MPs insisted that the ombudsman's latest report on Serbia human rights situation in 2014, is politicized, demanding his resignation. In parallel, daily Informer also urged Jankovic to step down, recalling that the ombudsman's friend committed suicide in Jankovic's apartment in 1993, using Jankovic's pistol, for which he did not have a required firearms license. On several occasions over the past year, representatives of the ruling SNS denounced the ombudsman, particularly following Jankovic's criticism of some ministers, but also the prime minister. Looking into the conduct of military police officers, who safeguarded prime minister's

brother Andrej Vucic, in a conflict with Gendarmerie members during the 2014 Pride Parade in Belgrade, Jankovic was pulled in a public debate, mainly trading arguments with Defense Minister Bratislav Gasic. The minister insisted that he cannot provide all the documents related to the case requested by Jankovic "without an approval from the Prosecutor's Office." Only after several weeks of debating and public pressure also, first case related documents were provided by the Military Intelligence (VBA) in early March, enabling the ombudsman to resume his control function and establish whether omissions were made to the detriment of citizens' rights.

Jankovic's wrangle with Defense Minister Gasic and some other security services, provoked MP Vladimir Djukanovic to accuse Jankovic of "undermining the system," and "doing everything, in collaboration with tycoons, to destabilize our homeland," and also to called him names, like "(Boris) Tadic's servant," whereby, as stated in NUNS's report, inflicting "numerous personal insults" on Jankovic and his family members."



SNS MP Aleksandar Jovicic labeled Jankovic "as a disgrace, rather than a protector of Serbia's citizens." Similar statements were made by non-governmental organization Research Center for Security and Defense, which in a release, voiced its "concern with the latest Ombudsman Sasa Jankovic's statements about the work of the prime minister, the cabinet and its ministers," urging Jankovic "to quit politics."

The ombudsman also came under heavy criticism of Interior Minister Nebojsa

Stefanovic. Reacting to publishing photographs of Aleksandar Vucic's son on an Internet site, Stefanovic wondered how it is possible that "the ombudsman always deems himself not competent when it suits him, or competent even for matters outside his scope of work. It is obvious to me that all the time he behaves as an impassioned member of the former regime and the party which nominated him for the post of ombudsman. I do hope that for this personal opinion presented I will not face a firing squad for I have dared criticize Sasa Jankovic." (Danas, March 19, 2015)

Stefanovic and Jankovic have earlier exchanged arguments on which matters fall under the ombudsman's competence. In October 2014, after the incident during the Serbia-Albania UEFA qualifier in Belgrade, the ombudsman urged the interior minister to "ensure a more efficient and a more accountable police service in respect to the protection of national dignity of all citizens of Serbia and unhindered organization of sport events, and also the protection of personal security and property of ethnic Albanian citizens." He then said that "over the past few days, the national dignity of Serbia's citizens has sustained the most severe indignity." During the same event, an insult was publically addressed to the Serbian prime minister, with Interior Minister Stefanovic blaming it on RTS," which aired the football match. After this, Stefanovic remarked that it is safety stewards at stadiums who are in charge of the prevention of violence and improper conduct at sport events.

"At the same time, I am not fully clear in which capacity Sasa Jankovic mentions RTS, as he is not a protector of RTS, but of citizens. I did not for once blame journalists or cameramen, which is a straw man fallacy, but I only demanded a reaction from RTS about their two consecutive omissions during RTS' live broadcast when our country's prime minister was brutally disparaged," Stefanovic argued. (Tanjug, October 17, 2015)

Also, in January this year, Ombudsman Jankovic said he has filed criminal complaints against two military police officers over an attack on Gendarmerie members, who engaged in a skirmish during the 2014 Belgrade Pride Parade on September 28 with four persons, including the brothers of the Serbian prime minister and the Belgrade mayor. Interior Minister Stefanovic's claim that there exists no document of the internal control (Tanjug, January 22, 2015), was later confuted by the ombudsman.

Michael Uyehara, acting head of the OSCE Mission to Serbia, said that the organization "is concerned about the ongoing campaign against the Serbian Ombudsman institution and Ombudsman Sasa Jankovic." Uyehara stated: "Independent institutions, responsible media, transparent government operating under the rule of law, as well as an accountable police service, are fundamental elements for the functioning of any democracy. Irresponsible reporting, including the deliberate use of allegations, rumors or insinuations and an absence of analytical debate within the institutions undermine citizens' trust in their government." (*Tanjug, April 21, 2015*)

Belgrade Waterfront Project

The Belgrade Waterfront development project was presented with great pomp and circumstance at the renovated building of the Belgrade Cooperative in late June. The grand wishes and optimistic announcements of the officials are accompanied by a great many reservations and doubts. The realization of the Belgrade Waterfront project led to a radical change to Belgrade's general urban plan without consultation with experts or citizens. The lack of transparency of the process is yet another cause of dissatisfaction, because the entire project is to be conducted via an interstate contract bypassing the Law on Public-Private Partnerships which also precludes any public tender. A company called Beograd Na Vodi was registered with

the Business Registers Agency on July 24. The prime minister announced that the construction of the first phase will start as soon as late February, but no later than March 1, 2015, (Studio B, June 27, 2014) whereas in October, he claimed that works under the Belgrade Waterfront project will begin in April, but no later than May next year." (Tanjug, October 13, 2014) In March, he said that the works under the Belgrade Waterfront project will be launched this summer." (N1, March 3, 2015)



At this year's edition of the international real estate exhibition MIPIM in Cannes in March, Belgrade Mayor Sinisa Mali presented two 20-story residential towers, the construction of which is envisaged under the first phase of the Belgrade Waterfront project. The mayor said that the towers will be completed in two, to two and a half years from the launch of works. (B92, March 16, 2015) This news attracted more attention of experts as they observed that the two towers are not included in the existing miniature for the Belgrade Waterfront project. Mali announced that apartments in the two residential buildings will go on sale on March 16.

What started on that day was the registration of interested would-be buyers of apartments, rather than the sale of properties. The mayor also promised that an agreement on the Belgrade Waterfront project will be signed right upon the formation of a new Serbian government. The agreement was not signed, and in March this year, the Belgrade mayor said "an agreement will be in place shortly, in a few weeks." (Tanjug, March 10, 2015) Also

in March 2014, the mayor said that the construction of Tower Belgrade in Savamala area stretching along the right bank of the Sava river, will start by the end of 2014," (Tanjug, March 10, 2014), which did not happen.

On April 9, the parliament adopted a lex specialis for the Belgrade Waterfront project, designating it as a project of special importance for Serbia and Belgrade as well. Under the legislation, Serbia and the City of Belgrade hold all the rights, obligations and responsibility of a prospect expropriation user as stipulated under a law regulating expropriation. The project should involve the construction of over one million square meters of residential space, some 750,000 square meters of office and commercial space, over 62,000 square meters of public facilities, such as kindergartens, schools, cultural venues, and social and healthcare facilities, and around 242,000 square meters of new parks and similar areas on a total of some 177 hectares. This, according to the bill, will create more than 13,000 jobs and will house 17,000 people. (RTS, April 9, 2015)



Arguments could also be heard in public that this draft law is in violation of the Law on expropriation, but also of the Constitution, and that the lex specialist is passed only to the benefit of the investor. Further, numerous complaints have been voiced against the existing architectural design, with the Academy of Architecture of Serbia, among others, requesting from the Serbian executive authority to immediately suspend the Belgrade Waterfront project.

Apart from the reconstruction of the Belgrade Cooperative building, in which, according to the prime minister, the investor injected EUR 4 million, a promotional stand has been set up, also serving as a restaurant.

During a parliament debate on a lex specialis for the Belgrade Waterfront project, Prime Minister Vucic stressed that of 246 objects slated for relocation in the area designated for the first project phase, 179 have been removed since April 4 this year. For this undertaking, the City of Belgrade disbursed RSD 130 million, or, little over EUR 1 million. He also said that expropriation of land and all properties in the area planned for construction under the first project phase would require around EUR 40 million. Prime Minister Vucic stressed that it is important to understand that the removal and relocation of railway infrastructure should not be associated with the project, as these activities were foreseen under previous transportation infrastructure projects. The prime minister added that it is questionable whether the entire Belgrade Waterfront project will be completed even in 15 years.

In early March, however Prime Minister Vucic pledged that works on Belgrade's future railway terminal, Prokop, will be completed by January 27, 2016, and that "adjustments" on Prokop are linked with the development of the Belgrade Waterfront project. (Politika, March 6, 2015)

An agreement for Belgrade Waterfront project was signed on April 26, 2015. It envisages for the Belgrade Waterfront project to last no longer than 30 years, with half of the facilities due for completion in the first 20 years. The agreement further envisages that United Arab Emirates (UAE)-based real estate developer Eagle Hills will provide EUR 300 million for funding the project, EUR 150 million in capital and EUR 150 million in the form of loan. Company called Beograd Na Vodi was set up as a 32%-68% joint venture between the state and a partner from the

UAE. Under the agreement, the UAE partner shall approve a EUR 90 million loan to Serbia for the relocation of railway tracks from the Savamala area, and EUR 40 million for land expropriation.

Adopting Laws under Urgent Procedure

Over the past 12 months, of three adopted laws, two were passed under urgent procedure (of a total of 193, 124 laws were adopted under urgent procedure), show figures of initiative Open Parliament.

The analysis reveals that every tenth of 3,208 submitted amendments was adopted, the bulk of which filed by MPs from the opposition camp.

The impression that the extensive use of urgent procedures does not allow for sufficient consultations of stakeholder on systemic laws, such as a set of media laws, a Labor Law, a Bankruptcy law and a Privatization law, is shared mainly by MPs from the opposition ranks.



"The use of urgent procedures, the way we do it, limits the time for scrutiny of drafted legislation as required by democratic procedure. The only way for the parliament to withstand the influence of the government is to have MPs simply voice their opposition and say 'we do not want to adopt that.'" (Vesna Marjanovic, Democratic Party, Open Parliament, December, 2, 2014)

Explaining the application of this practice, Serbian Progressive Party MP Aleksandar Jovicic said that they "as the ruling majority have more responsibility in the parliament than the opposition, as it is they who

promised a better life to citizens in two to three years." (Open Parliament, December 2, 2014)

Zoran Gavrilovic from the Bureau for Social Research is also of the opinion that the urgent procedure practice does not allow stakeholders to stage their opinion.

"According to surveys that we have conducted, MPs believe that influence of the government is five times greater than the parliament's. The biggest problem, I think, is the absence of a mechanism for the parliament to exercise its oversight function," Gavrilovic noted. (Open Parliament, December, 2, 2014.)

Housing Development

In early May, Prime Minister Vucic shared some welcome news for many a Serbian citizen and announced the construction of cheap apartments new tenants could move into as soon as the end of 2015. The housing would be developed by United Arab Emirates company Arabtec with a square meter going for EUR 380. Though the Arabtec shares dropped by more than 50% in late June, Vucic was adamant that the cheap housing project would not be affected.

Serbian Army Helicopter Crash

A military helicopter, which was transporting a baby from Serbia's south-central town of Raska to Belgrade, crashed in a wider region of Belgrade's international airport Nikola Tesla on March 13, killing the five-day old baby, four crew members and two medical workers from Novi Pazar. The next day, Army Chief-of-Staff Ljubisa Dikovic set up two commissions to investigate into what caused the accident. The crash anguished the public, with many questions raised as to why the Nikola Tesla airport was the final destination for the crew, what were the circumstances causing the crash, and whether the defense and health ministers, Bratislav Gasic and Zlatibor Loncar respectively, were waiting at the airport together with TV crews at the time of the

crash. On the night of the accident, several media outlets reported that the helicopter has landed and that Health Minister Loncar personally welcomed the newborn from Novi Pazar.



Over the next two weeks, during which certain analysts, the media and military experts demanded command and moral accountability, the commissions completed their reports. Before they were available to public, Prime Minister Vucic said that they contain "nothing too spectacular." (Beta, March 30, 2015) A report by the Aviation and Anti-Air Defense Command, published on March 31, revealed that alcohol was present in the pilots' blood, suggesting human factor was the main cause of the crash for improper piloting procedure under complex weather conditions. Another cause of the accident cited by the commission are omissions in planning, organizing and managing the flight. The report also displays the sequences of events during the flight, remarking that the crew insisted on landing at the Military Academy Hospital (VMA) in Belgrade. According to a report by the other commission, formed by Army Chief-of-Staff Ljubisa Dikovic on March 18, there exist elements of army's accountability in organizing and executing the task, but that they do not constitute an immediate cause of the military helicopter crash.

The helicopter crash triggered a reaction from Prime Minister Vucic, who said that a campaign is being conducted against the pilots and the ministers, although the media only requested answers on who will be held accountable for the death of seven persons. Speculations could be heard in public that

the rescue operation was carried out without any prior preparation and at a personal demand of the defense minister, but also out of the army personnel's apprehension at failing to execute the order despite highly complex weather conditions. Army Chief-of-Staff Dikovic conceded that problems occurred in the command chain, noting that the helicopter should not have taken off without his knowledge. (Vecernje Novosti, April 22, 2015) The two commissions' reports are currently with the Prosecutor's Office.

Doctorates

June and July were marked by the scandal surrounding the PhD theses of government officials (Interior Minister Nebojsa Stefanovic, Belgrade Mayor Sinisa Mali, New Belgrade municipality head Aleksandar Sagic). It all started when a group of Serbian scientists living and working in the UK published an analysis of Nebojsa Stefanovic's PhD thesis claiming plagiarism. Many joined the debate with varying views, including the prime minister who said he had never heard a "stupider explanation" of how something is a plagiarism. Minister Stefanovic denied the claims that his doctoral thesis, defended at Megatrend University, is a plagiarism.

Several days later the focus shifted to Megatrend University rector Mica Jovanovic who was accused of not actually having one of the two PhDs he listed in his CV. Jovanovic, who was Stefanovic's doctoral mentor, soon resigned from the posts of Megatrend rector and professor.

In early October, an independent commission of Megatrend University checked Minister Stefanovic's doctoral thesis and "is of the opinion that there are no grounds to initiate proceedings to invalidate the doctorate." In the case of Sinisa Mali, the dean of the Faculty of Organizational Science (FON) refuted the claims of plagiarism, while in November 2014, FON forwarded to the Belgrade University a report of a commission that examined plagiarism claims. The report

was signed by the same commission which approved the thesis of Sinisa Mali. Until today, the public has no knowledge of Belgrade University's opinion of the FON commission's report.



Zlatko Stefanovic, rector of the Union University, where Sapic earned his PhD, in late February this year said that university's commission for investigating the claims of plagiarism in the case of Aleksandar Sapic's PhD thesis has suspended work dissatisfied with its preliminary report results being discussed at a session of the Senate. Stefanovic said chances are slim of resuming the examination of the claims of plagiarism, considering that, he recalled, he hardly managed to find professors willing to take part in the commission. On December 10 last year, Union University set up a three-member commission tasked to look into the claims of plagiarism in Sapic's PhD within 60 days. The thesis was divided into three parts with each commission member assigned with one. "In a preliminary report, Miodrag Koprivica in the section he reviewed found 73% of reproduced text without indicating the source, Nevenka Maher said her part contained 66% reproduced material, while Professor Hasan Hanic in his part found 0.4% reproduced material," the dean revealed. (Beta, February 27, 2015)

Serbian Government's Diplomatic Activity

First months in office of the new government were designated by some media outlets as a period of "diplomatic offensive." During the government's first year in office, Prime Minister Vucic met, among other people, with Russian Federation President Vladimir Putin, German Chancellor Angela Merkel and Chinese Prime Minister Li Keqiang. Prime His first official visit to Sarajevo, Minister Aleksandar Vucic paid May 13, 2014. On June 11 last year, Prime Minister Vucic met with German Chancellor Angela Merkel which he declared extremely important. In Berlin, the prime minister also met with German businesspeople, after which he said that a big company had announced the creating of more than 3,000 new jobs in Serbia by 2016. On June 17, Serbia welcomed three foreign guests: Russian Foreign Minister Sergey Lavrov, Slovenian Prime Minister Alenka Bratusek and Montenegrin Deputy Prime Minister and Foreign Minister Igor Luksic. In early June, a Serbian delegation, headed by the prime minister, paid a visit to Russia, followed by the signing of the South Stream project construction contract. The prime minister said that Serbia has "maybe has the best conditions of all the countries" involved in the construction of the pipeline. (Tanjug, July 9, 2014)



In early July, Prime Minister Vucic met in Paris with his French counterpart Manuel Valls to discuss the coming donor conference. He also met with German Foreign Minister Frank-Walter Steinmeier, Turkish Foreign Minister Ahmet Davutoglu,

Austrian President Heinz Fischer, Austrian Foreign Minister Sebastian Kurz and UK Minister for Europe David Lidington.

With no official notice, the former UK prime minister, Tony Blair, visited Belgrade on June 19 to meet with Prime Minister Vucic. The change in Vucic's attitude to Blair was widely discussed by the public, mainly on social networks, seeing how in earlier years it used to be negative, with Vucic being one of the reviewers of Serbian Radical Party leader Vojislav Seselj's book "English faggot fart Tony Blair."

Then Italian Foreign Minister Federica Mogherini, Romanian Prime Minister Victor Ponta and Slovenian President Borut Pahor also visited Serbia.

Belarus President Alexander Lukashenko came for a two-day visit to Serbia at the invitation of Serbian President Tomislav Nikolic on the day Prime Minister Vucic met with Chancellor Angela Merkel in Berlin. Some of the media outlets called it a scandal. Ivan Mrkic, advisor to the president, said it was "purely coincidental" and that Lukashenko had been extended the invitation more than six months earlier, much earlier than the German chancellor invited Vucic.

At the beginning of September last year, Prime Minister Vucic took part in the World Economic Forum annual meeting in China. On the occasion, Vucic met with Chinese Prime Minister Li Keqiang and representatives of Chinese companies and banks interested in investing in Serbia. On the same occasion, the Chinese prime minister's visit to Belgrade was arranged.

Russian President Vladimir Putin visited Belgrade on October 16, 2014, and met with President Tomislav Nikolic and Prime Minister Aleksandar Vucic. The presidents laid wreaths at the Monument to the Liberators of Belgrade. Nikolic awarded Putin the Order of the Republic of Serbia on a large chain. The Russian President attended the big military parade marking the 70th anniversary of Belgrade's liberation in World War II. The two

presidents attended the signing of seven agreements, memoranda and protocols.

In October, 2014 Prime Minister Aleksandar Vucic had two telephone conversations with US Vice President Joseph Biden. According to reports, "in a long and friendly talk, Biden and Vucic discussed the US-Serbia bilateral relations, both political and economic." (RTS, October 15, 2014) Vucic also had a telephone conversation with French Prime Minister Manuel Valls about the preparations for the French prime minister's upcoming visit to Serbia. "The officials deemed the relations between Serbia and France very good adding they were sure Prime Minister Valls' visit would provide the incentive for their further development." (Tanjug, October 17, 2014) In October, Vucic also spoke on the telephone with German Chancellor Angela Merkel. Vucic informed the German chancellor that "despite the incidents at the Serbia-Albania football match, Serbia would do all in its power to maintain the stability of the region, while the German chancellor confirmed Berlin's support to Belgrade." (Tanjug, October 18, 2014)



The prime minister was very pleased by that fact. "Do you think I could speak to so many of the most powerful people and prime ministers if they didn't appreciate my work, if they didn't appreciate what we have done? Tell me when has anyone talked with French prime minister, German chancellor and US vice president in only three days? When has something like that happened in Serbia's history? I think never," said Vucic (Beta, October 21, 2014).

In the wake of the incidents during the Serbia-Albania UEFA qualifier, the visit to Belgrade of Albanian Prime Minister Edi Rama was pushed back to November 10. While in Belgrade, Rama called on Serbia to recognize Kosovo's independence, with Prime Minister Vucic retorting "he did not expect a provocation" and that the Albanian prime minister is mentioning Kosovo in Belgrade and in a context not envisaged under his visit agenda.

One of the visits designated as "historic" was the one Aleksandar Vucic paid to Israel in late November last year. Israeli Prime Minister Benjamin Netanyahu said that this is a first visit of a Serbian prime minister and is therefore historic. Prior to his departure to Israel, Vucic said he considers the visit of considerable political importance and that he will seek from Israel to ensure the support from the US, considering the importance and influence Israel enjoys in the US.

In mid December 2014, Belgrade hosted the third summit of Chinese prime minister and prime ministers of 16 central and eastern European countries. Prime Minister Vucic stressed that "Serbia's citizens will feel significant benefit of the agreements reached today." The prime ministers of Serbia and China, Aleksandar Vucic and Li Keqiang respectively, ceremonially opened the Zemun-Borca bridge over the Danube river in Belgrade, named after renowned Serbian scientist Mihajlo Pupin.

On January 1, 2015, Serbia took over from Switzerland one-year chairmanship of the Organization for Security and Cooperation in Europe (OSCE). A first session of the OSCE Standing Committee, chaired by Serbia's permanent representative to the OSCE, was held in Vienna on January 15.

In late January, the Serbian prime minister met in Vienna with Austrian President Heinz Fischer and Foreign Minister Sebastian Kurz, while in early February he visited Sweden. During the 51st Munich Security Conference, the prime minister met with US Vice President Joe Biden, revealing that

they discussed political and economic issues. On the same occasion, he met with several other European and German politicians.



On February 3, the Hague-based International Court of Justice dismissed Croatia genocide claim against Serbia and Serbia's counter-claim. The court concluded that no genocide took place in Croatia be it against the Croats or the Serbs. The judgment is final and may not be appealed.

Prime Minister Vucic attended the inauguration of Croatia's president-elect Kolinda Grabar Kitarovic on February 15, despite the speculations that went on for days as to whether any Serbian top official would travel to Zagreb. "This way I want to show that we are a normal and decent country and that regional cooperation is more important to us than any political vanity," Vucic stressed.



The Serbian government also held two sessions with other state's governments. First in Skopje, Macedonia (FYROM) on February 16, and then in Ljubljana, Slovenia, on February 20, with the latter signing several agreements in the field of youth, sport and defense.

EU Foreign Affairs Commissioner Federica Mogherini in late March this year first visited Pristina and then Belgrade. She met with several officials, including Prime Minister Vucic, President Tomislav Nikolic and Foreign Minister Ivica Dacic. Mogherini said that the EU is ready for the opening of first negotiating chapters this year.

Relations with EU

"We intend to set before us an ambitious goal of opening the first negotiating chapters during Greece's presidency over the EU, in mid this year," Prime Minister Vucic said expounding the government platform in April 2014, when he assumed duty from Ivica Dacic. However, Serbia was not given a date for opening any chapter in the membership talks with the EU in 2014.

According to Serbia's chief negotiator Tanja Miscevic, progress has been made as Serbia has completed screening process for 26 of a total of 35 chapters of the acquis. Last weeks of the past year again heard growing speculations about Germany's additional conditions for the opening of chapters, primarily fostered by statements by President Tomislav Nikolic that EU Enlargement Negotiations Commissioner Johannes Hahn has unequivocally told him that Serbia cannot join the EU before it recognizes Kosovo's independence. Germany however dismissed the allegations, insisting that the existing 11 criteria relate exclusively to the implementation of everything agreed between Belgrade in Pristina, in Brussels. On March 11, the European Parliament a resolution on Serbia based on a recommendation of European Parliament rapporteur for Serbia David McAllister. The resolution welcomes Serbia's progress in reform implementation, promotion of good - neighborly relations and the dialogue with Pristina, while encouraging the European Council to as soon as possible open chapters in the negotiating process. The resolution expresses concern at deteriorating conditions for the full exercise of freedom of expression, condemns the

pressure exerted on independent bodies, and regrets that Serbia did not align itself, when invited, with the Council decisions introducing restrictive measures against Russia. McAllister stressed that in a successful EU integration process it is of crucial importance to ensure comprehensive law enforcement, freedom of media and freedom of speech which are the fundamentals of democracy. "Foreign policy alignment with that of the EU is of fundamental importance for the integration process," McAllister said, adding he regrets that Serbia has not joined the EU sanctions against Russia.

The government has started tackling the systemic and socio-economic reforms. It deserves our respect and support. The Serbian parliament has recently passed important laws in the areas of the protection of whistleblowers, media, labor and bankruptcy," McAllister noted. (Tanjung, March 11, 2015)



EU High Representative Federica Mogherini said that the EU sees Serbia's future in the union and is ready to have first negotiating chapters opened this year. (Tanjung, March 27, 2015)

Tanja Miscevic, Serbia's chief negotiator in the membership talks with the EU, said that Serbia is at a high level of preparedness for the membership talks, adding she hopes that certain negotiating chapters will be opened and closed by the end of the year. She further said that the screening, which was completed on March 24, 2015, is only

the first step in the membership talks process, noting that it presented a true picture of Serbia today as well as of its further strategic steps are. Miscevic also said she expects Serbia to receive screening reports by the end of the year, noting that it is only a beginning of a very serious job, in which Serbia is counting on EU assistance. During the screening, 65 meetings were held, involving 2,000 individuals, who demonstrated persistence, determination and enthusiasm, she noted. (Tanjug, March 31, 2015)

EU Delegation to Serbia Head Michael Davenport said the screening has been completed successfully and that Serbia is investing considerable effort in implementing economic reforms, which is why the Serbian government enjoys the support from the European Commission and also from the EU member states. (Tanjug, March 31, 2015) In late 2013, then member of the EU integration committee and incumbent minister without portfolio in charge of EU integration, Jadranka Joksimovic, said she expects that all members of Serbia's negotiating will be delegated in the next period. She repeated this in April last year, when she was appointed minister in a new Serbian government. However, a team was not formed by the beginning of 2015, while in April this year, the minister announced the formation of a core team by the end of May. (Danas, April 17, 2015)

European Commission Progress Report

The European Commission published Serbia progress report on October 8. Prime Minister Vucic said that it is much better than for other countries in the region.

The report positively assessed Serbia's progress in public administration reform, the screening process, and the holding of the Pride Parade, also commending legislative activity.

The report also noted that *"a continued lack of transparency over media ownership and sources of media advertising and*

funding was accompanied by a tendency to self-censorship in the media."

Serbia received no direct criticism for not aligning itself with the EU sanctions against Russia, but the expectation was expressed that during the negotiating process Serbia will gradually align its foreign policy with the relevant acquis.



As concerned Serbia's aspiration for the South Stream gas pipeline project, the report recalled that related documents must be aligned with the EU energy policy.

Serbia was commended in regard to regional cooperation. As stated, it is crucial that "Serbia continues to fulfill its commitments related to regional cooperation and normalization of relations with Kosovo through full implementation in good faith of all existing agreements, so that membership talks can continue smoothly."

Position on Ukraine Crisis

To the statement of US Ambassador to Serbia Michael Kirby that Serbia has not taken a sufficiently clear stance on Ukraine's territorial integrity, Prime Minister Vucic's office reacted with a press release informing "the public and the US ambassador that the prime minister has personally on several dozen occasions clearly and unequivocally repeated that Serbia respects the territorial integrity of Ukraine, including Crimea as an integral part of Ukraine." (Blic, July 23, 2014)

Both Aleksandar Vucic and Ivica Dacic spoke about the crisis in Ukraine on several occasions in the past months. Restrained at first (*"Serbia has a traditional friendship with Russia that cannot be undermined, but on the other hand, Serbia is on the road to Europe which is very important for our country. The position needs to be balanced and in our interest"* - Ivica Dacic, Tanjug, March 23, 2014), only to become more explicit as the situation deteriorated (*"We have supported Ukraine's territorial integrity, including Crimea, since the beginning."* (Aleksandar Vucic, Bild and Blic, June 13, 2014). In early July, Vucic said: *"Serbia respects Ukraine's territorial integrity, but does not support the sanctions against Russia"* (Die Welt, July 6, 2014). In the wake of Malaysia Airlines plane crash over Ukraine, Serbia was under more pressure to take a more clear position. Prime Minister Vucic said that Serbia is completely loyal to the EU, but asked Brussels to respect Serbia's vital and national interests and not expect it to ruin its own economy "for a pat on the back." (Tanjug, July 28, 2014)

Before Russian President Putin's arrival in Belgrade, Prime Minister Vucic repeated that Serbia would not impose sanctions against Russia. *"No one can order Serbia to ruin its relations with the Russian Federation."* (Tass, October 15, 2014) A joint military field training exercise of the Russian Armed Forces and the Serbian Army, first ever in the history of the two countries, was held at training ground Nikinci, near Ruma, on November 14, 2014. It involved counter-terrorist operations exercises. Tactical operation and counter-terrorism training exercise titled SREM 2014, the biggest in the past 30 years, opened with an airborne assault of members of the Russian Airborne Troops, the last formed branch of the Russian special elite force, which for this occasion flew in from the town of Tula. Igor Klimov, Russian Defense Ministry representative with the Air Force, said that Russian and Serbian air force pilots will perform a joint areal training exercise in September this year. Serbian President Tomislav Nikolic

has decided that the Serbian Army will take part in the Moscow 2015 Victory Day Parade on May 9, which will mark 70 years of the Soviet people's victory in the Great Patriotic War 1941 to 1945.

Belgrade-Pristina Dialogue

With new EU High Representative Federica Mogherini assuming office, the Belgrade-Pristina dialogue resumed on February 9, when a judiciary agreement was initialed. The next meeting was held on April 21, featuring the prime ministers, Aleksandar Vucic and Isa Mustafa.



Government's Office for Kosovo and Metohija chief Marko Djuric insists that two years into the signing of the Brussels Agreement, some rights of the Serb people foreseen under the document have not been realized.

"The first six key points of the Brussels Agreement relating to the rights of the Serb people in Kosovo and Metohija have not been fulfilled at all and we want to discuss how to see these key points realized as soon as possible. The main point, which is the creation of a Community of Serb Municipalities, is something that we will definitely achieve as it is the crucial step in further normalization of relations," Djuric said. (Tanjug, April 18, 2015)

Petrit Selimi, deputy to Foreign Minister Hashim Thaci, has said that Belgrade is blocking fulfillment of the ultimate goal of the agreement, which he described as "a historic agreement between Serbia and Kosovo as it saw two parties standing on an equal footing in reaching an official agreement." He recalled that the agreement was signed with the prospect of "both

countries, upon the completion of the normalization process, being able to join the EU as neighbors."

"The agreements were based on the need to have Serbia fully withdraw from illegal institutions in Kosovo, but there is still a major problem in the agreement implementation because Serbia is trying to postpone or obstruct the fulfillment of that crucial goal," Selimi said. (*Beta, April 19, 2015*)

After a new round in the Belgrade-Pristina dialogue in Brussels on April 22, Serbian Prime Minister Aleksandar Vucic described that the negotiations as difficult, but that some progress was achieved in certain areas that were discussed, such as telecommunications, civil protection unit, and energy sector. Coming out of a four-hour meeting, Vucic revealed that concrete progress was made only regarding the opening of two new checkpoints on the administrative line. One will be set up in the direction of the town of Raska in Serbia, while the other will be in Serbia's southern municipality of Medvedja, he said, noting that each party request the formation of one of the two checkpoints agreed. Vucic went on to say that Belgrade and Pristina delegations also discussed the establishing of a Community of Serb Municipalities (ZSO), but, he complained, no common language could be spoken. As regards energy related issues, Vucic said that Pristina conceded that a larger portion of artificial lake Gazivode is in the territory of central Serbia. (Serbian government's website, April 22, 2015)

Tense Relations between Serbia & Albania

On October 14, a football match between Serbia and Albania in Belgrade was abandoned due to an incident that followed the appearance of a flag carrying the insignia of the "Greater Albania" over the pitch. The flag was flown into the stadium by a "drone" – a remote-controlled craft resembling a helicopter. Albanian Prime Minister Edi Rama's brother, who had been watching the game from the VIP box, was questioned on suspicion of

causing the incident. Prime Minister Vucic described the events as "an organized action aimed at undermining stability in Serbia and the entire region. The intent of Albanian extremists was to paint Serbia as a country intolerant of diversity and humiliate all its citizens," (*Vecernje Novosti, October 15, 2014*) while President Tomislav Nikolic described the incident as "the assassination of establishing friendship between Serbia and Albania." Nikolic added that "it is obvious that Albania will need decades, if not centuries to become a normal state, without hatred toward Serbs." A protest note was handed to the Albanian ambassador in Belgrade, after which the Albanian side handed a protest note to the Serbian ambassador in Tirana.



Prime Minister Vucic had a telephone conversation with the Albanian prime minister on October 19, with the two officials agreeing that the visit to Belgrade, scheduled for October 22, be pushed back to November 10. "There are still disagreements over how the incident occurred, but we must not and will not miss the opportunity to meet and work on maintaining regional stability," the interlocutors said in a statement. (RTS, October 19, 2014)

In the wake of the Serbia-Albania match, there were several attacks on bakeries owned by ethnic Albanians or Gorani people, in Novi Sad, Vrsac, Stara Pazova, and Sombor, while the residential part of the Subotica mosque was set on fire. Prime Minister Vucic said that attacks on bakeries owned by ethnic Albanians and Gorani people "incite hatred toward Serbs in Kosovo, where they are a minority, which is why a swift and strict reaction of the state

was needed, which resulted in finding and arresting the attackers.” (Beta, October 21, 2014)

Pension & Public Sector Wage Cut

Despite SNS top officials' election campaign pledge that there will no pension and public wage cut, it did happen in November.

Such a move of a cabinet set up by Aleksandar Vucic could be anticipated right upon the formation of a new executive authority. The prime minister then said: “As for pensioners, we will not consider or think of anything until October. Then we will sit down to deliberate other possible incentives, that is how to combat the gray economy and bring it over into legal channels, and providing all incentives we can regarding this matter.” (RTS, May 1, 2014)

The reason for former finance minister Lazar Krstic to step down, as stated, was the fact that the prime minister dismissed Krstic's proposal to slash pensions by 20%, and public sector salaries by at least 15%.

On September 18, Prime Minister Vucic said that pensions and public salaries will be axed, as part of measures for healing the economy. Under the plan presented by Prime Minister Vucic, pensions up to RSD 25,000 will not be decreased.

“A pensioner receiving RSD 26,000 will see a cut of RSD 220, those receiving RSD 27,000 will be getting RSD 26,560 following the decrease, while a pension of RSD 30,000 will be reduced by RSD 1,100, that is pensions between RSD 25,000 and RSD 30,000 will be slashed by 3.1%,” Vucic said. He specified that pensions between RSD 30,000 and RSD 35,000 will be reduced by 6.2%, while pensions exceeding RSD 40,000 will be decreased by 9%. According to him, the hardest “blow” will be shouldered by 31,000 pensioners with pensions over RSD 60,000.” (RTS, September 18, 2014)

Finance Minister Vujovic offered the following explanation: “A decision on pension and public sector wage cut was

made at a parliament session, which debated a budget revision. I have to stress that less than a 10% cut will apply to 1,510,000 pensioners, or 87.5% of the total number of pensioners, that is those with pensions under RSD 40,000. This means that a vast majority of pensioners, nearly 90%, will see no reduction, or will see less than a 10% cut. The minority of pensioners with pensions exceeding RSD 40,000 will see a reduction of more than 10%, and those are the people who, I believe, will accept to shoulder this reduction, because their economic position allows them to sustain such a decrease.



I have been asked questions – why pensioners with RSD 50,000 will see a higher reduction than a public sector employee with a RSD 50,000 salary? Aside from this logic of the distribution of pensions and salaries, there is an important expenditure related element of difference. I know this, because it was the situation with my parents and it is the situation with all. Those who work have larger expenditures than those retired. The very fact that someone is employed, goes to work, must buy a suit for work and everything else raises costs of those people, while the difference in reduction is minimal. Salaries of RSD 50,000 will be reduced by RSD 5,000, while pensions in the equal amount will be slashed by RSD 5,800.” (Open Parliament, October 24, 2014).

In late March, Prime Minister Vucic said that there is a possibility for a pension and

public sector wage increase this year, noting that it is a first sign of Serbia's economic recovery.

"When deciding to press ahead with difficult measure, with the IMF we projected a budget deficit of RSD 55 billion for the first quarter, while it will not be above RSD 27 billion, which is half the amount expected. Providing we continue to be successful in the second and third quarters, we will be able to discuss a pension and public sector wage increase with the IMF," Vucic said. (RTS, March 26, 2015)

The pension and public sector wage cut is expected to reduce budget spending by EUR 400 million in 2015.

Lazar Krstic's Resignation

Lazar Krstic, welcomed with great expectations just a year ago as a Yale educated expert with McKinsey consulting firm experience, resigned from the post of finance minister in mid-June, because, as he said, he did not recognize any readiness to tackle the biggest structural problems in public finances the way they should be. Krstic said that he asked the prime minister for a minimum of 20% pension cut, minimum of 15% wage cut and laying off a minimum of 160,000 public sector employees, stating that he also proposed a 30% increase of electricity price. Krstic added that the prime minister disagreed with his proposals stressing: "The prime minister is soft-hearted, that is why he enjoys such vast public support." (B92, July 12, 2014). It was announced that, despite his resignation, Lazar Krstic would work as a special advisor to the prime minister. Economy Minister Dusan Vujovic was appointed minister of finance, while the post of economy minister went to the former Serbian Chamber of Commerce president, Zeljko Sertic.

Prime Minister & Businesspeople

On May 12 last year, Prime Minister Vucic met with about 200 businesspeople to hear their comments and suggestions on how to improve the business environment in Serbia and encourage its economic recovery. The meeting was attended,

among others, by Miroslav Miskovic, Miodrag Kostic and Milan Beko. On the occasion, the prime minister also spoke with representatives of the banking sector and foreign investors. After the 9-hour meetings, Vucic announced that he will be organizing such meetings every two months and that the next one will take place in Nis. (Blic, May 15, 2014) There was no meeting in Nis, but in early July, the prime minister met with several businesspeople at Privrednik business club, comprising of 42 businesspeople and headed by Miodrag Kostic.

Truck Maker FAP, Copper Mining & Smelting Complex RTB Bor, South Stream Gas Pipeline

Finland's truck manufacturer „Sisu Auto” and the Serbian government have signed a Memorandum of understanding, under which the Finnish company shall acquire some assets of Priboj-based truck maker FAP and launch the production of trucks and spare parts. In late September, Prime Minister Vucic said: "We are close to finding a solution for FAP, which I cannot say for steel maker Zelezara Smederevo.



This is very important as it is very difficult to find a solution. We expect to resolve the issue of Zelezara by New Year, and even before, but New Year is the final deadline. Also, the issue of our petrochemical complex (Pancevo-based petrochemical producer Petrohemija, fertilizer maker Azotara, and acetic acid manufacturer Metanolsko-Sircetni Kompleks (MSK) in Kikinda)." (News conference at Serbian government, September 28, 2014) It is 2015, and FAP is still waiting for an investor

to come forward. The Privatization Agency has pushed back the deadline for potential strategic partners to file bids for FAP to April 27. The future strategic investor is to set up a joint venture with the state.

As for state-owned copper mining and smelting company Rudarsko-Topionickarski Basen (RTB) in Bor, it has not received a strategic partner, but has received money. Prime Minister Vucic said that the state will set aside EUR 30 million for the completion of a new flash smelting furnace, stressing that after this investment, the company's business operations will be closely monitored. In October, media reports said that RTB Bor has drawn "the interest of as many as 15 investors, four of which from Serbia." (Vecernje Novosti, October 15, 2014) During the election campaign in March 2014, Aleksandar Vucic stressed that a new flash smelting furnace in RTB Bor "must be completed within the promised deadline" – by the end of this year. At the very end of the year, on December 23, Prime Minister Vucic attended the completion of works on a new smelter.

Be that as it may, a crucial move that could substantially step up Serbia's economy certainly remains the signing of an agreement on the South Stream gas pipeline construction project. First gas, as announced, should pass through the pipeline's branch in Serbia by the end of 2016. The agreement is worth EUR 2.1 billion, and the branch through Serbia as claimed, will be built in line with the best international practice. Funding will be secured from a loan from Russian energy giant Gazprom. Dusan Bajatovic, general manager of Serbian-Russian joint venture Juzni Tok Srbija, said that the loan will be obtained under most favorable terms, including a 4.25% annual interest rate and with, he said, "a repayment schedule that we will need." (Tanjug, July 8, 2014) Prime Minister Vucic has stressed that Serbia was not able to draw a regular loan for the South Stream gas pipeline project as it would increase the public debt and budget deficit, which was why a subordinated loan was requested. He explained that such a

loan is not repaid in money, but through dividends for gas transit, stressing that the annual interest rate has been lowered from the initial 8% to 4.25%. According to him, 50% of the construction works and 40% of other related works under the project will be performed by Serbian companies, meaning that firms from Serbia will have some EUR 350 million to, he stressed, do a major job. (Tanjug, July 8, 2014)



Speaking about the European Commission Serbia progress report, Prime Minister Vucic said that the future of the South Stream gas pipeline depends on an agreement between the EU and Russia. He noted that it would make no sense for the South Stream pipeline to begin and end in Serbia. (Tanjug, October 8, 2014) However, in early December, Russia declared it is abandoning the South Stream gas pipeline project. With the EU declining to back the pipeline construction, Russia is forced to drop the South Stream gas pipeline project, Russian President Vladimir Putin said in Ankara, where Russia and Turkey agreed to build a gas pipeline across the Black Sea with an aggregate capacity of 63 billion cubic meters a year. "If the European Union does not want to the South Stream gas pipeline project to happen, it will not be built. Since we have not received an approval from Bulgaria, we believe that under current conditions, Russia cannot go on with the project," Putin said. (RTS, December 1, 2014)

Strikes

The government's first year in office, was inter alia, marked by numerous strikes. Lawyers, education sector workers, students, police officers and many other took to the streets to protest.

Student protests failed to win more mandatory exam periods, while the demand to extend study time will be at the discretion of respective faculty administration. The Education Ministry stressed that there exists no ground for higher education institutions to impose additional charge for exam registration or other regular study costs. Both parties agreed that it is necessary to pass a new law on higher education, the development of which will also involve student representatives.



After nearly a four-month strike, which crippled the justice system, lawyers went back to work in late January after forging an agreement envisaging that all civil legal affairs can be drafted by lawyers and citizens, and not necessarily by notaries public. In addition to concrete changes to the Law on notaries public, the Bar Association of Serbia expert teams and the Justice Ministry agreed changes to some provision of four accompanying legislations (the Law on transfer of immovable property, the Law on out-of-court procedure, the Family Law and the Inheritance Law). As regards taxation, the amended regulation envisages that a lump-sum tax base for lawyers in 2014 be increased by up to 10% from 2013, which is in line with the lawyers' demand. Criteria for setting a lump-sum tax base for this year and on will be negotiated by the Bar's expert teams and the Finance

Ministry in the coming period. It was also agreed to withdraw from parliament procedure a draft law on free legal aid and that the Bar shall delegate an expert team to be involved in developing a new draft law. Although it seems that all lawyers' demands were met, the one seeking dismissal of the justice minister was not on the table.

Negotiations which seemed endless went on between the Education Ministry and the education sector workers. After over a five-month strike, the remaining two union associations, the Union of education workers of Serbia and the Union of labor associations of Serbia decided to end the strike after "the Education Ministry resorted to force by reducing salaries of strikers, pushing them in a position of not having even for bread, which was not very honorable of the minister," they said in a news release. (Blic, April 24, 2015) However, the main demand of the education sector workers to be excluded from the public sector salary cut, was not met. On April 24, 2015, the education minister and representatives of the union associations signed an agreement on the resolution of disputed issues and a special collective bargaining agreement for employees in elementary and high schools and student dormitories. The agreement signed by all four union associations envisages, among other things, that their representatives will by June 1, 2015, start negotiations on the amount and pace of the payment of bonuses and assistance for education sector workers. It was also agreed that they will take an active part in defining pay groups and pay grades for the sector and the development of changes to the Law on the foundations of education and early childhood education systems.

Prime Minister Aleksandar Vucic personally thanked education sector workers for ending the strike, saying that they will be "the first to feel benefits of the difficult measures which we have undertaken and which you have backed." (Blic, April 24, 2015)

This was one of the longest strikes ever in the education sector, which among other things, left some 20,000 pupils and high school students in Serbia without midterm grades and report cards.

More strikes took place during the Serbian government's first year in office, with police officers, health sector workers, war veterans, and hospitality sector workers all taking to the streets. After a ten-day walkout, police union associations decided to end their strike, and in a meeting with line minister Nebojsa Stefanovic, it was decided to open a social dialog. The police service was mainly dissatisfied with the disrespect of the collective bargaining agreement and financial situation.

War veterans ended a nine-day hunger strike in Valjevo, after reaching an agreement with Labor and Veteran and Social Affairs Minister Aleksandar Vulin. It was said that the parliament will pass a law, which will regulate the rights of the army reserve personnel, including the health insurance for the veteran of wars in the territory of the Socialist Federal Republic of Yugoslavia (SFRY) in the '90s. Representatives of the Belgrade Association of restaurant and hotel industry workers, the Serbian Association of Employers and the Association of hotel and restaurant industry workers of Serbia in protest against controls and inspections of hotels, restaurants, cafes and other catering venues, whom they accuse of often exercising discretionary powers, shut down their venues for an hour on October 22, 2014.

Controversial Funding Opportunity Announcement of Ministry of Labor, Employment, & Veteran & Social Affairs

A decision of Labor, Employment and Veteran and Social Affairs Minister Aleksandar Vulin to channel nearly EUR 2 million intended to invite applications from non-governmental organizations for their project funding, to the Fund for treating children with rare diseases, was met with a public uproar. He did this following an article in daily Blic revealing that the Labor

Ministry had given EUR 1.8 million to social welfare organizations which neither met the announcement criteria, nor existed at the time applications were invited. Reactions also came from non-governmental organizations, saying that the ministry is not obliged to finance projects of citizens associations, but is obliged to work in line with the plan and program, to honor announcement criteria it set, and of course, primarily to honor the law. Several citizens associations have filed criminal complaints against persons unknown on suspicion of misconduct during the application invitation process, and also requested scrutiny of Vulin's political accountability.



Police Purge

Five police chiefs were replaced on June 20 under the decision of Prime Minister Vucic. The only one to keep his post is Police Director Milorad Veljovic. The official explanation is the top government officials' dissatisfaction with the police results in the fighting the drug cartel in Serbia. Dragoslav Kosmajac is said to be the cartel's boss. In early January 2015, Interior Minister Nebojsa Stefanovic said personnel changes will continue in the police as long as he holds the post.

“There will be more changes than they may expect. May all those in the police who believe that they will protect themselves by having incriminating news stories about each other published owing to journalists they know, and that such practice would prevent their replacement, be aware that all who do not do their jobs and produce no results will be relieved of duty. (Politika, January 16, 2015)

Raising Milk Aflatoxin Ceiling

Only 15 days after the maximum allowed level of aflatoxin in milk was restored to the European standard of 0.05 micrograms per kilogram (since February 2013 it had been 0.5), in mid-July, the Agriculture Ministry again raised the ceiling, this time fivefold (to 0.25). This Rulebook is to be enforced until December 31, 2014. The Agriculture Ministry explains that the reason for raising the ceiling is the devastation of certain areas and the property of livestock farmers and milk producers by the floods, which would prove the enforcement of European standards at the moment fatal for them.



Pride Parade

After four years, on September 28, the Belgrade Pride Parade was held amid a massive security operation. The march brought together around 1,000 participants, including the Belgrade mayor, several politicians from the ranks of the ruling majority and the opposition, diplomats, and many public figures. The biggest incident occurred near Slavija Square when members of special police, the Gendarmerie, beat up the brother of Prime Minister Aleksandar Vucic and two security members. The authorities vowed to investigate the entire case and take all the necessary measures to ensure such brutal attacks do not reoccur.

Delivery Unit

The Serbian government and private consultancy Tony Blair Associates, run by former British prime minister Tony Blair, have sealed a contract to set up a "delivery unit" within the prime minister's office, namely, a system of teams charged with

overseeing the implementation of priority tasks and interconnecting all institutions engaged on the same project. (Danas, February 5, 2015)

According to the Serbian government, the project is paid by funds from the United Arab Emirates. Prime Minister Vucic stressed that this work model is already producing certain results: "The formation of these teams is connected with the functioning of and delivering results in certain domains of social life. A much greater level of responsibility is already present in certain ministries." (Politika, March 11, 2015)

According to Vucic, members of these teams hold no political post, and the plan is to set up five such teams under the delivery unit - for the privatization of public companies, infrastructure, direct foreign investments, public administration and agriculture.

In January, Blair's former media advisor Alastair Campbell held a lecture for public relations officers in the government, presenting segments of the delivery unit introduction project. The skepticism surrounding the functioning of this model in the Serbian government is also shared by organization Transparency Serbia, which has requested from the government to furnish all documents related to the formation of these expert teams within the prime minister's office. They complained about the lack of clarity on the status and competences of these teams. The delivery unit was devised in 2000 by then British prime minister Tony Blair, at the end of the first of three terms of his ten-year premiership. After leaving the government, he founded private consultancy Tony Blair Associates. According to media reports, Blair today provides advisory services for the governments of Albania and Kazakhstan. He has also advised the governments of Egypt and Kuwait, with "delivery unit" concept so far being endorsed by Australia, Malaysia, Pakistan, India, Turkey, Chile...

