

## **Key findings in progress report 2008 Serbia**

### ***Political criteria***

Overall, there was little legislative output over the full year as government and parliament work were widely affected by divisions between political parties on key policy issues. Issues relating to Kosovo and EU integration dominated political discussions. Since the Presidential and legislative elections there has been increased stability in government and greater consensus on European integration. Serbia made significant progress on cooperation with International Criminal Tribunal for the former Yugoslavia (ICTY), including the arrests of Radovan Karadzic and Stojan Zupljanin. Parliament ratified the Stabilisation and Association Agreement (SAA) in September 2008 and began work on a package of laws. Serbia has good capacity in its public administration. European integration structures were strengthened and the National Programme for EU Integration was adopted. Regulatory bodies performed well under difficult conditions. However, greater determination needs to be shown by the Serbian authorities to empower regulatory bodies.

Further efforts need to be taken to ensure the independence, accountability and efficiency of the judicial system. Corruption remains widespread and constitutes a serious problem. Civil and political rights in Serbia are generally protected. However, they were affected by the climate in the period immediately following the declaration of independence of Kosovo.

Relations between the EU and Serbia have been affected by the declaration of independence of Kosovo. In February a demonstration ended in violence with the attacks of several foreign diplomatic missions in Belgrade. The Serbian government has vowed to use only peaceful, legal and diplomatic means and has exercised restraint in its response to the declaration. Serbia recalled serving ambassadors from countries that recognised Kosovo, including EU Member States. Serbian ambassadors who had been withdrawn from EU Member States have since returned to their posts. Serbia has so far opposed reconfiguration of the international civilian presence in Kosovo and EULEX deployment. Serbia is encouraged to take a constructive approach towards Kosovo's participation in regional and international fora and to the EU's efforts to contribute to peace and stability in the Western Balkans.

### ***Economic criteria***

The Serbian economy continued to grow strongly and the country made some progress towards establishing a functioning market economy.

Good growth rates were accompanied by widening external imbalances and the vulnerability increased also in the light of the global financial crisis. Fiscal policy remained expansionary, contributing to the resurfacing of inflationary pressures in 2008. Despite recent high economic growth rates, unemployment remains a major challenge.

There was some progress in privatisation, but structural reforms in general slowed down. The country continued to attract the foreign direct investment (FDI), however,

some foreign investors have been affected by the unstable political climate. A competitive and dynamic private sector has not yet been fully established. Further efforts are needed to enable Serbia to cope in the medium term with competitive pressures and market forces within the Union.

***European standards***

Serbia is well placed to implement the SAA and the Interim Agreement, thanks to its good administrative capacity. There has been progress in the field of free movement of goods and continued improvements in customs and taxation administrations. However, there was little legislative output on European standards and weak enforcement capacity in competition. Little progress has been made in the area of information society and media. A comprehensive and effective system of public internal financial control is still not in place. Money laundering and organised crime continue to be a serious problem in Serbia.