

Western Balkan Newsletter

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This newsletter provides general information and should not be construed as legal advice. Please consult our legal experts for specific guidance tailored to your unique circumstances.

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INTRODUCTION

Introducing the premiere edition of VP Law Firm Quarterly Newsletter for the Western Balkans!

At VP Law Firm, we understand that staying informed is pivotal in today's fast-paced corporate world.

Our Newsletter is your passport to an in-depth exploration of legislative novelties and emerging trends in the Western Balkans. Whether you're navigating the intricate realm of banking & finance law, corporate law, real estate law, employment law, civil or environmental law, etc. Or seeking comprehensive market analysis and economic insights, our

newsletter is your ultimate resource.

Unlock the realm of possibilities with our Western Balkan Newsletter. Don't miss out on this exceptional opportunity to enhance your legal prowess and gain an edge in the competitive business sphere.

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SERBIA · BANKING & FINANCE

National Bank of Serbia Eases the Path for Home Loan Borrowers

In order to alleviate the position of housing loan users, the National Bank of Serbia has issued the Decision on Temporary Measures for Banks Regarding Housing Loans to Individuals ("Official Gazette of RS", No. 78, dated September 12, 2023), which will undoubtedly have a significant impact on the housing loan market.



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This decision pertains to temporary measures covering both previously approved housing loans and new housing loans that banks will grant to users during the application of the Decision. It specifically applies to first housing loans up to the amount of EUR 200,000 and will be in effect until December 31, 2024.

For previously approved loans with variable interest rates, granted before July 30, 2022, the nominal interest rate is limited to 4.08%. For loans approved after that date but before the Decision takes effect, borrowers will pay reduced loan installments based on the original repayment plan, provided the initial interest rate exceeds 4.08%.

These measures are applied solely as a constraint on interest rate increases. In case of interest rate reductions, banks will adhere to the loan agreements.

Regarding new housing loans with variable interest rates, banks are instructed not to set a margin exceeding 1.1% until December 31, 2024. Afterward, the margin percentage will be negotiated. For fixed interest rate loans, banks can

grant loans with a nominal interest rate of up to 5.03%.

Banks are obligated to provide borrowers covered by this decision with a new repayment plan and information on the reduced interest rate's implementation.

Additionally, the decision allows housing loan users, including those with fixed interest rates, to make early repayments without any prepayment fees.

The National Bank of Serbia's decision has raised questions in the public regarding its legality and fairness. Arguments revolve around the selectivity of the measures applied to a specific group of loans and potential interference in contractual relationships regulated by the Law on Obligations. This dilemma certainly presents a challenge in balancing urgent economic needs with adherence to legal principles.

SERBIA · CORPORATE & COMMERCIAL



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Key Amendments to the Regulation for Encouraging Direct Investments

During 2023, amendments to the Regulation on Determining the Criteria for Granting the Incentives for Attracting Direct Investments entered into force ("Official Gazette of RS", no. 39/2023 and 43/2023).

One of the most significant novelties is reflected in the increase of the threshold for minimum investment in tangible and intangible assets (fixed assets). That threshold is now EUR 300,000.

In addition to the already existing nine Criteria for expert analysis of investment projects, the new Regulation introduced additional three:

- the effect of investment on production capacities in the processing industry and the impact on the export structure of the processing industry and added value;
- the impact of the use of production equipment and technologies with minimal impact on the environment on sustainability and performance in the activity in question;
- the impact of investment in the activity in question or the introduction of technologies with a minimal impact on the environment on the attraction, training or retraining of the workforce.

The amount of approved funds is determined either on the basis of justified costs of investment in tangible or intangible assets (fixed assets), or on the basis of justified costs of gross wages for new jobs.

Also, the new Regulation defines the minimum amount of investment of funds in relation to the region where the investment project is

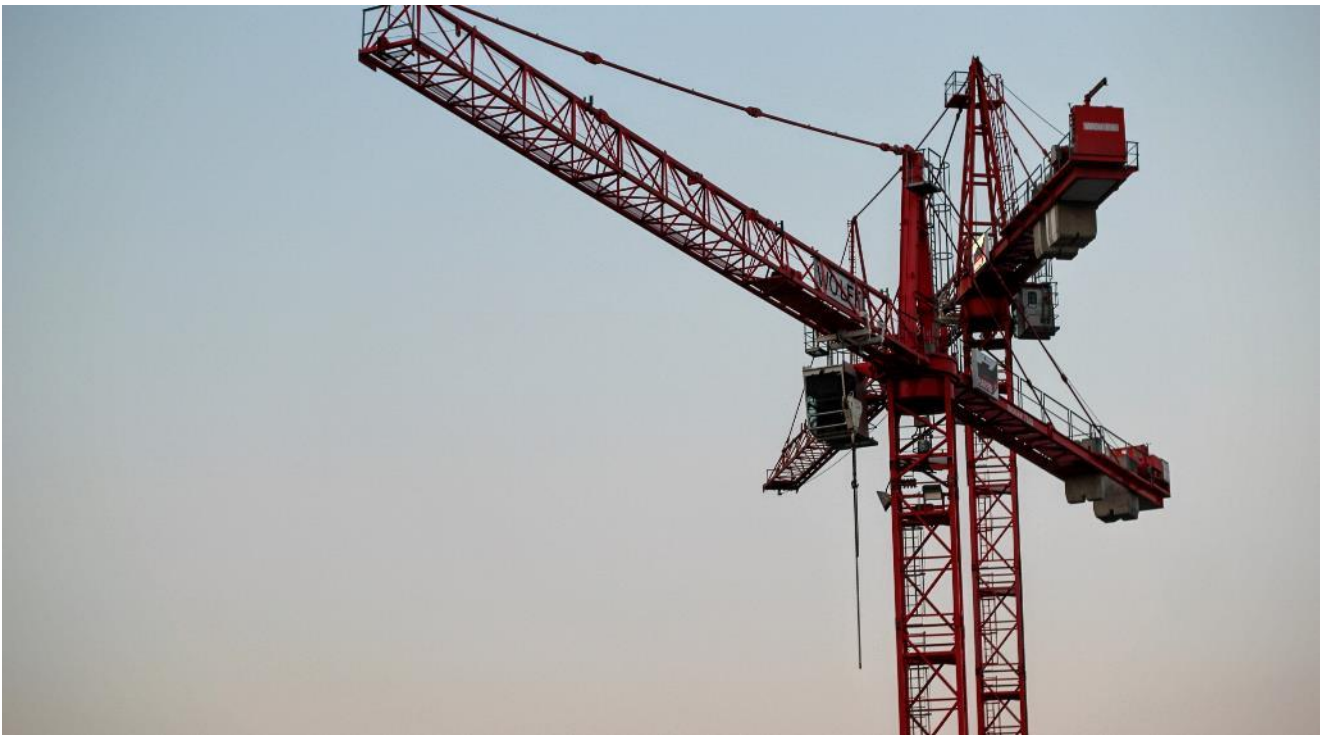
implemented, as well as the amount of incentives. The regions are:

- Belgrade region
- Region of Vojvodina
- Region of Šumadija and Western Serbia, Region of Southern and Eastern Serbia and Region of Kosovo and Metohija

Another important novelty relates to incentives for so-called "Labor-intensive investment projects". A labor-intensive investment project is an investment project that employs at least 100 new employees, within the time limit set for the implementation of that investment project. The amount of grants depends on the number of new employees.

SERBIA · REAL ESTATE

Construction Industry in the Spotlight: Serbia Amends Planning and Construction Law



In August 2023, a comprehensive set of amendments to the Serbian Planning and Construction Law took effect that went beyond mere superficial change to deliver tangible enhancements. This article will discuss the impact of the amendments on the construction sector and planning requirements.

The key improvements include:

- New provisions aimed at enhancing the efficiency of public authorities;
- Regulation of aspects of the

Green Agenda; and

- Repeal of the entitlement to convert usage rights into full title at a charge.

The amendments make additional improvements to the online construction permitting system (CEOP). New functions, in particular E-Prostor ('E-Space'), will greatly accelerate the development and alteration of planning documents, significantly enhancing overall efficiency of the process. Authorised persons will face stricter

accountability standards when issuing planning permission documents, including misdemeanour charges for failing to abide by statutory time limits.

The amendments give local authorities four years to enact directly enforceable planning documents, a move designed to overcome the current lack of plans, a pressing that has to date hindered construction efforts.

The new post of Chief Government Urban Planner envisaged by the law will additionally improve Serbian spatial and urban planning standards by providing clearer structure and guidance.

Another series of major changes concerns aspects of the green agenda. Structures will be able to be certified as 'green buildings' if they meet energy efficiency criteria. The law also contains provisions designed to promote electromobility, regulate solar farms, introduce a register of brownfield sites, and ensure connections to infrastructure at no charge (except for those who can prove they use renewable energy). To reduce greenhouse gas emissions, use of environmentally certified building materials and equipment, cut waste, and promote renewable energy, each new building with a gross floor area exceeding 10,000 sqm must receive a green building certificate after obtaining an occupancy permit.

The amendments include energy passporting requirements, whereby all buildings (not just newly constructed ones), both public and private and commercial and residential, must be certified within the next ten years. Exactly how this certification requirement will be enforced is still not known. According to the legislation, once the implementation period has expired, energy passports will have to be appended to property sale and lease agreements.

The major change is the abolition of the charge for converting usage rights to land zoned for construction into full title for some entities. This amendment, however, does not extend to sports clubs and associations, housing and farming co-operatives, entities subject to Serbian regulations and bilateral international treaties governing implementation of Appendix G to the Succession Agreement, and socially-owned companies.

A new Spatial and Urban Planning Agency is to be created within three months from the effective date of the amendments. This body will consider applications for conversion and, if it finds the parcel applied for is not envisaged for public use, will issue certificates that can be used to convert usage rights to full title in separate proceedings before the competent cadastre. Notably, in these cases title is granted directly by force of law, and registration with the cadastre will have purely declaratory effect.

The true impact of the many meaningful and important changes in the new Planning and Construction Law and their benefits for the Serbian planning and building regulation regime will only be revealed as the legislation is implemented in practice.

Each new building with a gross floor area exceeding 10,000 sqm must receive a green building certificate after obtaining an occupancy permit



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SERBIA · EMPLOYMENT

Serbian Health Insurance Law Amendments Seek To Curb Sick Leave Abuses

Legislation proposes to roll back rules to prevent employees misusing leave entitlement.



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Serbian employers have faced major issues with staff absenteeism due to sick leave abuses, and the 2019 Health Insurance Law has done little to address the situation.

Under the law, employers are required to disburse statutory sick pay for the first 30 days of an employee's sick leave, whereupon, on day 31, the National Health Insurance Fund (RFZO) assumes this responsibility. This has meant that sick leave abuses have had a significant impact on companies' profits, as well as on their ability to effectively manage their business.

The current rules allow general practitioners (GPs) to order to 60 days of sick leave, and any longer periods have to be cleared by a first-instance medical board. The regulation has not only failed to prevent sick leave abuses but has actually promoted employee absenteeism.

The ability of GPs to approve sick leave of as much as 58 continuous days, with medical boards not able to review the decisions, has proven a major drain on the resources of both companies and the RFZO, which seems to have been the primary reason behind the initiative to amend the law.

The Serbian Government's statement of reasons accompanying the amendments

notes the practice of GPs ordering sick leave in contravention of official guidelines linking leave periods to diagnosis, as well as in the absence of appropriate substantiating documents and without the patients undergoing additional diagnostic procedures and specialist examinations. This, the Government suggests, has meant some company employees have wrongfully benefited from sick pay for longer than the statutory 60 days, resulting in financial damage for both employers and the RFZO. The health insurance budget earmarked for this purpose has been steadily increasing to stand at as much as 29.5 billion dinars (slightly more than 250 million euros) in 2023.

The proposed amendments to the Health Insurance Law in effect roll back the rules to what they had been before 2019, when GPs could order a maximum of 30 days of sick leave, with employers being responsible for sick pay for this period. The changes seem designed to reduce costs to the RFZO, but the long-standing sick leave abuse problem may persist, and companies may continue to shoulder the financial burden associated with it.

SERBIA · CIVIL LAW

Will the Civil Partnership Law Provide Rights to Same-Sex Couples in Serbia?

Based on the proposal of the „Civil Partnership Act“ from September 8th, 2023, the legal regulation of same-sex marriages in Serbia entered into the parliamentary procedure again.



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According to the proposal of „Civil Partnership Act“, the life union of two adults of the same sex should be regulated, as well as the conditions for its creation and termination, the register of unions and the effects and legal consequences of the union, which is called a "civil partnership".

The law should regulate the right to maintenance, and property relations between partners, the possibility of inheritance, tax and other benefits, rights in case of illness, rights from health, pension and social insurance and other rights, in the way these areas are regulated between married couples.

As in the previous proposals for regulating same-sex partnerships, there is not any regulation in the form of providing the possibility for same-sex partners to adopt children.

SERBIA · ENVIRONMENTAL LAW

CBAM Regulation - New Obligations for Exporters to the EU



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On 17 August 2023, the European Commission has adopted the Regulation laying down the rules for the application of Regulation (EU) 2023/956 of the European Parliament and of the Council as regards reporting obligations for the purposes of the Carbon Border Adjustment Mechanism during the transitional period (hereinafter: the Regulation) establishing the detailed rules for the implementation of the CBAM mechanism in the period from 01 October this year to 31 December 2025.

The Carbon Border Adjustment Mechanism (hereinafter: CBAM) is part of the EU's environmental protection policy and is an instrument designed to support the EU's climate ambitions to achieve a net reduction in greenhouse gas emissions (hereinafter: GHG).

CBAM ensures that importers of

goods from non-EU countries incur similar costs for the "embedded emissions" of imported goods. However, this only affects certain industries, namely cement, iron and steel, aluminum, fertilizers, hydrogen and electricity.

In accordance with the Regulation, and in order to introduce CBAM gradually, the EU has prescribed steps for companies to adapt, so the transitional period begins on October 1, 2023, and ends on December 31, 2025. During this period, EU importers will only have to calculate the carbon emissions levels of their suppliers, and report this information quarterly.

Within the transitional system, importers, who are the subjects of reporting on embedded emissions, cooperate with manufacturers to assess information on how much emission their production had. This

includes direct emissions, but also emissions carried by their production inputs, the electricity they consume, and other indirect emissions. EU authorities will be in charge of maintaining the Register – an online database that contains all information on the embedded emissions of CBAM products.

The final period starts on January 1, 2026 and involves two phases: from 2026 to 2033, embedded emissions for CBAM commodities will gradually be covered by the CBAM obligation, and from 2034, 100% of embedded CBAM commodity emissions will be covered by CBAM certificates.

BOSNIA & HERZEGOVINA · ENERGY & NATURAL RESOURCES

Amended Renewable Energy Law Reforms for Federation of Bosnia and Herzegovina



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On the 31st of July 2023 Federation of Bosnia and Herzegovina amended a set of laws.

Amendments were made for:

1. Electricity Law, published in the Official Journal of the Federation of Bosnia and Herzegovina No. 60/23;
2. Renewable Energy and High – Efficiency Cogeneration Law; and
3. Law of Energy and Regulation of Energy Activities in the Federation of Bosnia and Herzegovina, published in the Official Journal of the Federation of Bosnia and Herzegovina No. 60/23.

The reform aligned electricity regulations with those of the EU, provided systemic regulation of issues relevant to the use of multiple types of energy, including electricity, natural gas and oil products, as well as renewables and energy efficiency.

Possibility for an individual to become a prosumer and generate electricity for their own consumption, as a new stakeholder, is the most significant change from previous rules.

Exceptions from the mandatory possession of a renewable energy license or permit, introduction of the communities of renewable energy sources as a new participant in the market from this field, increased supervision of the work of electric power entities, the right to incentives, will contribute to the creation of conditions for investment in the electric power sector and the promotion of development while preserving the environment.

Objectives of this extensive reform of energy regulations include safeguarding the interests of the general public, ensuring stability and efficiency of the energy sector and increasing security of supply, all of which are pressing concerns given the ongoing energy crisis and aim to decarbonize.

MONTENEGRO · BANKING & FINANCE

Payment Transactions Law Aligned With EU Rules To Provide Greater Security for Customers and Service Providers



The Payment Transactions Law has been amended to align line with the European Union's revised Payment Services Directive (PSD2), which aims to foster innovation and promote competition and transparency in payment services. Multiple pieces of secondary legislation have also been adopted to enable the law to be put into practice.



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The amendments allow new types of payment service providers, which will foster competition and help reduce the cost of payment services.

Consumers will also have access to two new types of services: account information services, which give consumers and businesses an overview of their financial situation by consolidating information across the different payment accounts they may have with one or more payment service providers; and payment initiation services, which provide reliable information that a payment has been initiated.

The new law also provides more security in electronic payments and for payment service providers, as well as strengthening consumer protection standards.

More robust consumer protections are particularly important in cases where charges may not be known in advance, such as with hotel or car rental bookings, and the new

legislation reduces customer liability for unauthorized payment transactions in the event of loss or theft of a payment instrument, such as a payment card or a smartphone with a banking app, from 150 to 50 euros.

The amendments introduce a time limit for responding to consumer complaints and shorten the notice period for cancelling a contract with a payment service provider from 12 to 6 months free of charge.

Another major innovation is a system to allow day-to-day tracking of frozen accounts of businesses and sole proprietorships subject to enforced collection, which will enhance transparency and improve public access to information, a particularly important consideration for financial institutions and all compliant entities.

NORTH MACEDONIA · BANKING & FINANCE

North Macedonia Limits Default Interest Ceiling, Shortens Statute of Limitations for Claims



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On 18 July 2018, the North Macedonian parliament amended the country's Contracts Law and Enforcement Law, with the changes published in the Official Gazette of the Republic North Macedonia No. 154 of 20 July 2023 and entering into force on the same day.

Amendments to the Contracts Law limit the default interest ceiling on overdue debt, whereby interest stops accruing when it reaches the amount of the principal.

The same amendments have also been made to the Enforcement Law to allow collection of default interest only until its total reaches the amount of the unpaid principal.

These Amendments limiting default

interest were accompanied by changes to statute of limitations rules. Here, the legislator has stipulated that all claims determined by a final court ruling or a decision of another competent authority, or by a settlement before a court or another competent authority, lapse in 5 years from the day they became enforceable. The same applies to claims subject to a shorter statute of limitations period, as well as to all temporary claims set to become due in the future.

Reducing the statute of limitations period from ten to five years greatly disadvantages creditors, restricts competition and creates an uneven playing field, in particular as the Enforcement Law also applies retrospectively to enforcement and collection cases in progress.

ALBANIA · INTERNATIONAL LAW

Albania Ratifies International Treaties, Enhances Its Global Diplomatic Position

By ratifying international treaties, Albania has demonstrated its commitment to multilateralism as a means of safeguarding peace and security and improving international co-operation, a position that has been in evidence throughout the country's years of democratic development.



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On 3 July 2023 the Albanian Parliament's Foreign Affairs Committee reviewed the draft law ratifying the International Convention for the Suppression of Acts of Nuclear Terrorism, adopted in New York on 13 April 2005. After a dedicated working party had been created, and once the Convention was found to be compatible with the Albanian Constitution and law, the Parliament ratified the Convention on 20 September 2023.

The Convention seeks to enhance and improve the legal framework for identifying breaches and taking joint

action against nuclear terrorism whilst adhering to national and international law.

Albania has undertaken to contribute to global security and actions to address terror threats as well as to better define its national interests within the framework of international strategies.

Terrorism is a major threat to global security, and Albania's diplomatic efforts at the UN seek to foster dialogue between the world's nations to resolve these challenges.

KOSOVO · CIVIL LAW

The Impact of Kosovo's Early Childhood Education Act



The Kosovo Assembly recently approved the Early Childhood Education Act, aimed at regulating the provision of high-quality education in all types of educational institutions catering to children from birth to the age of 6. This legislation now mandates pre-primary education.



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The Early Childhood Education Act encompasses a range of provisions, including cross-sectoral coordination, family education initiatives, nutritional guidance, development of food menus, supply and regulation of educational materials, monitoring of educational activities, caregiver training, and a comprehensive approach to education.

This law represents a new benchmark, ensuring equal educational opportunities for all children, empowering them to

become capable and productive citizens who contribute to both their own development and the betterment of society.

In addition to the Early Childhood Education Act, the Ministry of Education, Science, Technology, and Innovation (MASHTI) is finalizing the Early Childhood Education Curriculum.



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