



EU FOR BETTER BUSINESS ENVIRONMENT

SEMI-ANNUAL ANALYTICAL REPORT ON EXISTING BUSINESS ENVIRONMENT REFORMS, PRIORITIES AND GAPS

June 2023

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Abbreviations

7STEEs	Seven small transition economies of Europe: Bulgaria, Croatia, Estonia, Latvia, Lithuania, the Slovak Republic, and Slovenia
ADR	Alternative dispute resolution
ALSU	Agency for the Licensing of Bankruptcy Trustees
B2B	Business-to-Business
B2C	Business-to-Consumers
B-READY	Business Ready
BQCI	Building Quality Control Index
BRE	Business Regulation Environment
BTI	Bertelsmann Stiftung's Transformation Index
CEP	Center for European Policies
CGSI	Core Government Systems
CH	Switzerland
CIT	Corporate income tax
CPC	Commission of Protection Competition
CPI	Corruption Perception Index
CROSO	Central Registry of Compulsory Social Insurance
DB	<i>Doing Business</i> report
DCEI	Digital Citizen Engagement
eBanking	Electronic banking
ECA	Europe and Central Asia
eCommerce	Electronic Commerce
eGov	Electronic Government
ePayment	Electronic payment
EPS	Electric Power Industry of Serbia
ESAP 2	Employment and Social Affairs Platform 2
eServices	Electronic services
eSignature	Electronic Signature
EU	European Union
EU4BE	EU for Better Business Environment
FDI	Foreign Direct Investment
FIC	Foreign Investors Council
G2B	Government-to-Business
G2C	Government-to-Citizen
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GIRG	Global Indicators of Regulatory Governance
GNI	Gross National Income
GoS	Government of Serbia
GRECO	Group of States against Corruption
GSB	Government Service Bus

GSMA	Global System for Mobile Association
GTEI	GovTech Enablers
GTMI	GovTech Maturity Index
ICRG	International Country Risk Guide
ICT	Information and Communication Technologies
IDB	Interamerican Development Bank
IEF	Index of Economic Freedom
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
IPR	Intellectual property rights
IPRI	International Property Rights Index
IS	Iceland
ITU	International Telecommunication Union
JSC	Joint Stock Companies
LLC	Limited liability company
MCI	Mobility Connectivity Index
MSEs	Micro and Small Enterprises
NALED	National Alliance for Local Economic Development
NCSI	National Cyber Security Index
NO	Norway
NQF	National qualification framework
NRI	Network Readiness Index
OECD	Organisation for Economic Co-operation and Development
OITeG	Office of Information Technology and e-Government
PARS	Public Administration Reform Strategy
PMR	Product Market Regulation
PPS	Public Policy Secretariat of the Republic of Serbia
PSDI	Public Service Delivery
QJPI	Quality of Judicial Processes Index
RATEL	Regulatory Agency for Electronic Communications and Postal Services
RBS	Statistical Office of the Republic of Serbia
RCC	Regional Cooperation Council
RIS	Regulatory Index of Serbia
RSD	Serbian Dinar
SAIDI	System average interruption duration index
SAIFI	System average interruption frequency index
SBRA	Serbian Business Registers Agency
SCM	Standard Cost Model
SEF	Electronic Invoice System
SIFI	Strength of Insolvency Framework Index
SIGI	Social Institutions & Gender Index
SLRI	Strength of Legal Rights Index
SMEs	Small and Medium Enterprises

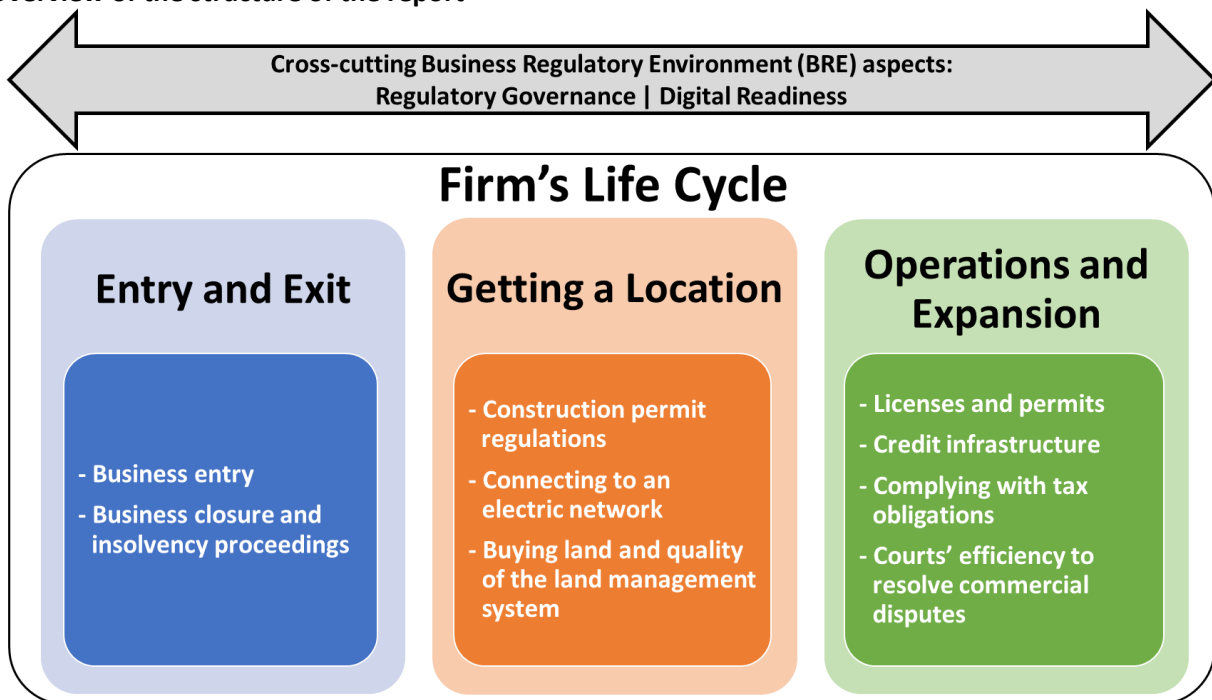
SOE	State-Owned Enterprise
TEA	Total early-stage Entrepreneurial Activity
Telecom	Telecommunication
U.S.	United States of America
UK	United Kingdom
UN	United Nations
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
VAT	Value added tax
WB	World Bank
WBL	Women, Business and the Law
WDI	World Development Indicators
WEF	World Economic Forum
WGI	Worldwide Governance Indicators
WIPO	World Intellectual Property Rights Organization
WIPO	World Intellectual Property Rights Organization
WJP	World Justice Project
WTO	World Trade Organization

Overview

This document identifies business regulatory priorities, gaps, and reform delays on the regulatory and legal framework for business in Serbia. The report is conducted within the regular semi-annual analysis of business gaps within the EU supported and World Bank implemented program: “EU for Better Business Environment” (EU4BE).

The first section of the report focuses on cross-cutting elements that impact the business environment, such as regulatory governance and digital readiness. It is followed by analysis along key phases throughout a firm’s life cycle: i) Entry and Exit, ii) Getting a Location, and iii) Operations and Expansion. Firm entry and exit relate to regulations that impact business registration and closure or restructuring through insolvency proceedings. Getting a location touches upon buying land and complying with construction regulations, connecting to the electricity network, and the overall quality of land management systems. Firms’ operations are impacted by credit infrastructure, tax obligations, corporate governance provisions, and the efficiency of the judicial system. In addition, at the end of the report is a Summary Table, comprising a list of the identified areas that hold opportunities for improvement.

Overview of the structure of the report



Sections II. Cross-cutting Business Regulation Environment Aspects and III. Firm’s Life Cycle are organized by topic and sub-topic/business area. Furthermore, each sub-topic is identified by a color code, which refers to Serbia’s performance on each business area across the different benchmarks used in this report and it is useful to define reform priorities. As such, the green color (●) refers to a high performance (or low priority for reform); yellow color (●) to a medium performance (medium priority for reform); and the red color (●) to low performance (high priority for reform). For details on the methodology, please see Section IV. Summary Table of Reform Areas. These reform priorities were defined based on Serbia’s

relative position in each of the benchmarks included in the report. The threshold for the red color is defined whether Serbia is below the average ranking or score. Secondly, the yellow color is assigned if Serbia's performance is within the second top quartile of each benchmark's ranking or score. Lastly, green color is assigned when Serbia is located at the top quartile of the rankings or scores.

The report relies on more than 40 existing business environment data sources. These datasets refer to international benchmarks that measure various aspects of the investment climate and business environment across the world, such as the World Bank's Worldwide Governance Indicators, Enterprise Surveys or *Doing Business*, World Economic Forum's Global Competitiveness Index, Legatum Institute's Prosperity Index, World Justice Project's Rule of Law Index, Organisation for Economic Co-operation and Development's (OECD) Indicators of Product Market Regulation, among others. Likewise, statistics from the World Development Indicators, International Labor Organization, International Telecommunications Union, UNCTAD, Eurostat, as well as from the Statistical Office of the Republic of Serbia and different public agencies (e.g., Serbian Business Registers Agency) are used. Additionally, reports from the European Commission and the National Alliance for Local Economic Development (e.g., The Grey Book or Quarterly Reports) were consulted.

The new World Bank Business Ready (B-READY) methodology that has just been published will inform future reports related to the EU4BE initiative.^{1 2} With the new B-READY Manual and Guide, as well as the B-READY Methodological Handbook recently available, this will allow a systematic approach to identify the business environment scope and to measure reform progress. The new WB B-READY Report will also provide a data set that is regularly updated by independent third parties. When the new methodology and the related data become available, future Reports for this project are expected to mainly rely on it.

This assessment also relies on feedback from small and medium enterprises and other entrepreneurship ecosystem intermediaries. During late 2022 and early 2023, the World Bank carried out six workshops in the form of World Café with Small and Medium Enterprises in Serbia to identify priorities for reform in the business environment. In total, more than 80 business partners participated in these workshops, together with representatives of different public and private business support organizations and local authorities, across the cities of Nis, Valjevo, Novi Sad, Kraljevo, and Cacak. In addition to the three World Café workshops and as part of the same project, a meeting at the Serbian Chamber of Commerce in September 2022 also took place.³ Inputs and feedback received from the participants during the meetings are also included in this report.

Although a comprehensive list of identified areas for improvement is included in the Summary Table (section IV), disaggregated by sub-topic/business area and priority level for action, a sample of potential priority improvements is outlined below:

Topic	Opportunities for improvement (selected)
Regulatory governance & predictability in implementing	<ul style="list-style-type: none"> • Not all adopted laws and secondary regulations go under a public consultation process and the implementation and systematization of the e-consultation platform needs further improvement • Lack of a criterion to define which proposed regulations are subjected to an impact assessment and <i>ex-post</i> review of regulations is not established in law • The "once-only" principle is not applied across all administrative procedures • Changes of regulations are unpredictable and too frequent

¹ The B-Ready Report will replace the discontinued *Doing Business* Report See: <https://www.worldbank.org/en/businessready/b-ready> .

² The B-Ready Manual and Guide, and B-Ready Methodology Handbook are available here: <https://www.worldbank.org/en/businessready> .

³ The meeting was organized by the Center for European Policies (CEP) on September 6, 2022.

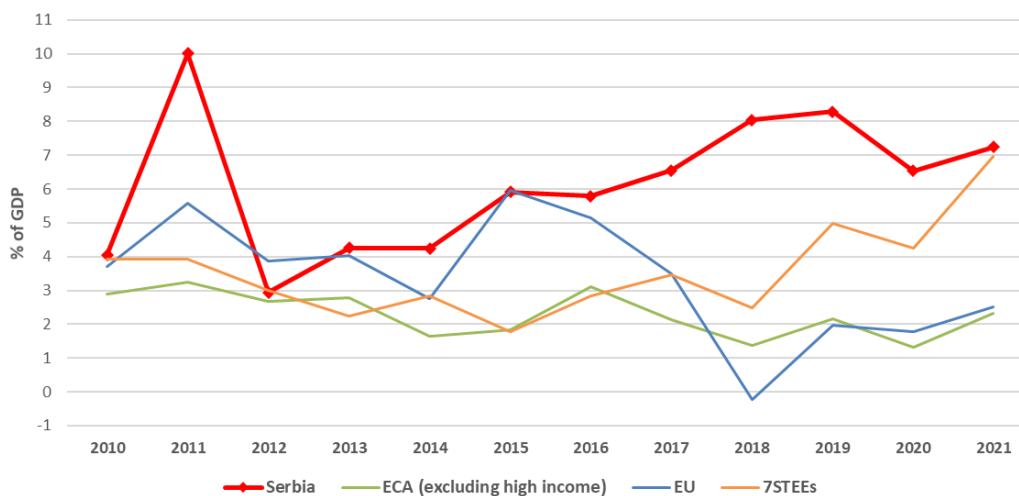
Topic	Opportunities for improvement (selected)
laws and regulations	<ul style="list-style-type: none"> Firms are still experiencing bribe payment requests, implementation of anti-corruption measures remains a challenge, and high-level officials still fail to disclose their assets
Digital Readiness	<ul style="list-style-type: none"> Limited data exchange across existing registries and lack of platforms' interoperability and most governmental electronic portals are informational and not transactional The eArchive platform is not fully developed Lack of advanced ICT skills among citizens and public officials Relatively high prices of fixed & mobile broadband services and ICT equipment Relatively levels of property rights' protection and low patent and trademark applications Perception from SMEs that government apps for mobile devices are insecure
Firm's Life Cycle: Entry & Exit	<ul style="list-style-type: none"> Lack of a single window for company registration and existence of multiple administrative procedures across different agencies It is not possible to pay online all fees related to company incorporation Costly insolvency proceedings and perception from the private sector (especially SMEs) that closing a business is highly burdensome Courts still request proof of the existence of a legal interest, which is against the principle of public bankruptcy proceedings
Firm's Life Cycle: Getting a Location	<ul style="list-style-type: none"> Lack of time frames' standardization to obtain a construction permits across different regions in Serbia Need to amend the Law on Planning and Construction in order to implement the eSpace and ePlan systems Lengthy and costly process to connect to an electric network, especially for small companies Relatively low level of energy efficiency regulations compared to the Western Balkans and 7STEEs Bottlenecks for property registration at the Tax Administration and the Real Estate Cadastre Not all property titles are in a fully digital format and not all privately owned properties are registered and mapped across Serbia Lengthy process to resolve a land dispute between businesses over tenure rights for a property
Firm's Life Cycle: Operations & Expansion	<ul style="list-style-type: none"> There is no mandate to keep track of the total amount of national and local governments' permits and licenses necessary to operate a business Lengthy process to obtain an operational license Limited access to credit among SMEs Lack of an integrated or unified legal framework for secured transactions Excessive and costly bookkeeping and financial reporting obligations The Tax eArchive initiative is limited since new regulations establish obligations for filling & keeping documentation in paper, lack of a public electronic registry for non-tax levies, and most municipal taxes and levies are filed in paper Relatively lengthy and costly process to resolve a commercial dispute and backlog cases in basic courts, being courts automation a challenge In order to increase the use of ADR mechanisms, the Law on Mediation should be amended Judgments rendered in commercial cases are not available to the general public through publication in official gazettes, newspapers or on the Internet or courts' websites

I. Introduction

Recent macro developments

- 1. During the last decade, the Serbian economy has grown at a moderate pace.** Between 2010 and 2021, the Gross Domestic Product (GDP) per capita average annual growth rate was 2.8%, more than twice than the European Union (EU) growth (1.2%) and in line with the Europe and Central Asia (ECA, excluding high income countries) region (2.8%) and with the seven small transition economies of Europe: Bulgaria, Croatia, Estonia, Latvia, Lithuania, the Slovak Republic, and Slovenia (7STEEs)—2.9%.⁴ Since 2014, the Government of Serbia (GoS) has been actively implementing reforms in key areas, such as: early childhood education investment, public service delivery strengthen, commercial State-Owned Enterprise (SOE) and public utilities improvements, labor market flexibility, among others.⁵
- 2. At the same time, Foreign Direct Investment (FDI) has observed a sustained increase.** During 2010-2021 the FDI's average net inflows relative to GDP was 6.2%. However, while FDI inflows represented 5.2% of GDP between 2010-2015, during 2016-2021 it was 7.1% (Figure I.1).⁶ This is actually the third highest FDI net inflow relative to GDP between 2010-2021 among the Western Balkans, only below Montenegro (11.6%) and Albania (8.2%), but almost three times higher than the ECA (excluding high-income) average (2.3%) and almost twice the EU (3.4%) and the 7STEEs (3.6%). This outcome is in part due to the adoption of specific policies to attract FDI, which had leveraged Serbia's cheaper labor market compared to the EU.⁷ A World Bank (WB) study from 2017 found that the Serbian investment incentive program created almost 12,000 jobs between 2006-2015.⁸

Figure I.1 FDI net inflows between 2010-2021 (% of GDP)



Source: World Development Indicators.

- 3. Nonetheless, some structural challenges prevail, hindering Serbia's full growth potential.** Quality of education does not entirely meet the labor market's needs. Burdensome administrative procedures

⁴ World Bank's World Development Indicators. Data not available for 2022.

⁵ World Bank. 2020. *Serbia Systematic Country Diagnostic: Update*. Washington D.C.: World Bank Group.

⁶ World Bank's World Development Indicators. Data not available for 2022.

⁷ World Bank. 2020. *Op. cit.*

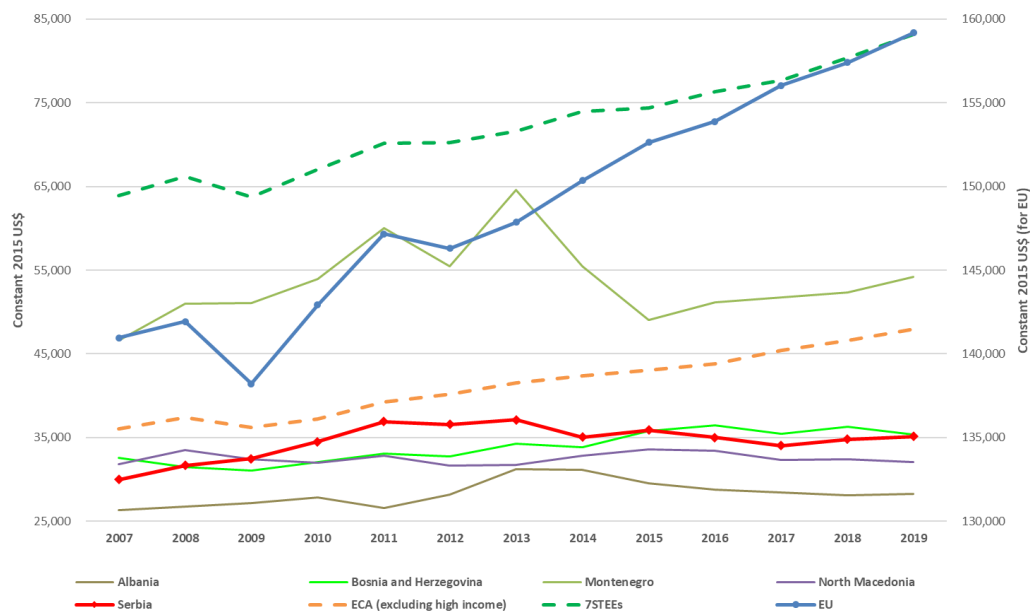
⁸ World Bank. 2017. *Evaluating the Serbian Program for Attracting Direct Investments 2006-2015: A Micro-Econometric Study*. Washington D.C.: World Bank Group.

prevail, especially for micro businesses and Small and Medium Enterprises (SMEs), generating an uneven playing field for these firms, although SMEs provided in 2020 almost 60% of total employment, based on data from the Statistical Office of the Republic of Serbia (RBS). On the other hand, medium and large companies do not have an appropriate corporate governance and have limited access to finance since they are usually over-indebted.⁹ Moreover, many sectors still have a predominant presence of SOEs, which receive preferential treatment from the state, having adverse effects on competition and productivity. In general, the domestic and foreign private sector’s perception is that there is not enough certainty in the regulatory framework, which changes too often and in an unpredictable manner.¹⁰ Additionally, the private sector has expressed concerns on areas such as corruption and political influence on the economy, as well as bureaucratic delays and an inefficient judiciary.¹¹

Employment and productivity

4. In 2019, Serbian firms provided 53% of formal private jobs, driving employment growth for the last 30 years.¹² The private sector has been at the forefront of economic transformation, job creation, and poverty reduction around the world for the past three decades. In developing countries, the private sector provides over 90 percent of jobs.¹³ Governments play a critical role in enabling the private sector to reach its full potential for growth and job creation by putting in place an enabling business environment that is predictable and transparent, while protecting public goods such as health, safety, and the environment.

Figure I.2 Stagnant productivity in Serbia since 2011 (value added per worker)



Source: World Development Indicators.

Note: Time series represent the value added per worker (constant 2015 US\$) of the following sectors: Agriculture, forestry, and fishing; Industry (including construction); and Services. Data not available for 2020-2022.

⁹ European Commission. 2022. “Serbia 2022 Report.” Commission Staff Working Document. Brussels: European Commission.

¹⁰ World Bank. 2020. *Op. cit.*

¹¹ U.S. Department of State. 2022. “2022 Investment Climate Statements: Serbia.” U.S. Embassy in Serbia. See: <https://www.state.gov/reports/2022-investment-climate-statements/serbia/>.

¹² World Bank. 2019. *Serbia’s New Growth Agenda: Boosting Productivity for Faster Growth*. Washington D.C.: World Bank Group.

¹³ IFC. 2013. *IFC Jobs Study: Assessing Private Sector Contributions to Job Creation and Poverty Reduction*. Washington D.C.: World Bank Group.

- 5. However, the Serbian private sector is distinguished by stagnant productivity.** As of December 2022, 69% of economic units are sole proprietors and 31% companies.¹⁴ However, while employment under sole proprietorship represented less than 400,000 jobs in 2022, companies represented more than 1.8 million formal jobs, which represented 82% of the total employment in Serbia.¹⁵ RBS' annual indicators on business activities of enterprises show that in 2020, 83% of companies were micro, 16% SMEs, and only 1% large firms.¹⁶ To be competitive and generate higher wages, the Serbian private sector should increase its productivity and move towards high value-added goods and services. Nevertheless, since 2011, productivity levels—measured as value added per worker—have been stagnant. While Serbian productivity had a sustained growth between 2007 and 2011, since 2012 it has been stagnant and even at lower levels in 2019 compared to 2013. Conversely, the ECA region (excluding high-income) and the EU, productivity levels have been constantly increasing since 2012. Actually, during the 2007-2019 period, Serbian productivity has been on average, 20% lower than ECA's productivity and less than half of 7STEEs' productivity (Figure I.2).¹⁷ WB estimates from 2020 indicate that, using the same inputs, manufacturing firms in Serbia produce only one-third of what EU firms do.¹⁸
- 6. It has been argued that in order to improve its productivity, Serbia needs a more inclusive economy by generating more jobs, especially for the youth.**¹⁹ Data for the third quarter of 2022 shows that unemployment in Serbia was 8.9% (male, 8.4% and female, 9.6%),²⁰ while the unemployment rate for the Western Balkans during the second quarter of 2022 was 13.9% (male, 13.5% and female, 15.2%).²¹ Still, Serbia's unemployment rate is higher than the EU average of 5.9% (male, 5.6% and female, 6.4%) for the same period.²² Unemployment also varies by region. For instance, while the population without a job in the north region is below 8% (Beogradski, 7.5% and Vojvodine, 7.4%), southern Serbia reports almost 12% of unemployment (Šumadije i Zapadne Srbije, 9.7% and Južne i Istočne Srbije, 11.9%) for Q3 2022.²³
- 7. Youth unemployment is a particular concern for Serbia and the Western Balkans region.** While the EU's youth unemployment average rate was 15.1% during Q3 2022,²⁴ the Western Balkans reported in 2021 a youth unemployment average rate of 35.6%,²⁵ and Serbia 25.4% during Q3 2022 (Figure I.3).²⁶ To mitigate this problem, in August 2022 the GoS amended the Decree on the Youth

¹⁴ Serbian Business Registers Agency (SBRA), January 2023. See: <https://apr.gov.rs/home.1435.html>.

¹⁵ RBS, February 2023. Employed at legal entities persons individually running business, entrepreneurs and their employees, by modalities of registered employment. Figures presented comprised long-term employment and temporary and occasional employment. Statistics for 2022 are provisional. See: <https://data.stat.gov.rs/Home/Result/24021102?languageCode=en-US>.

¹⁶ RBS, January 2023. Micro (0-9 employees); Small (10-49 employees); Medium (50-249 employees); Large (250 and more employees). Latest data available for 2020. See: <https://data.stat.gov.rs/Home/Result/190101?languageCode=en-US>.

¹⁷ World Bank's World Development Indicators.

¹⁸ World Bank. 2020. *Serbia's New Growth Agenda: Forging a New Future*. Washington D.C.: World Bank Group.

¹⁹ Tabak, Peter, and Sanja Borkovic. 2018. *Serbia Diagnostics: Assessing Progress and Challenges in Developing a Sustainable Market Economy*. London: European Bank for Reconstruction and Development.

²⁰ RBS, Labour Force Survey, III Quarter 2022. Unemployment rate for population of 15+ years. See: <https://www.stat.gov.rs/en-us/oblasti/trziste-rada/anketa-o-radnoj-snazi/>.

²¹ Regional Cooperation Council (RCC), Employment and Social Affairs Platform 2 (ESAP 2) data for Q2 2022. Western Balkans average includes Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia. Kosovo data for Q3 2021. See: <https://www.esap.online/observatory/home#quarterly-indicators/>.

²² Eurostat, EU-LFS data for the third quarter of 2022. Unemployment rate for population of 15-74 years. See: https://ec.europa.eu/eurostat/databrowser/view/LFSI_SLA_Q_custom_4448424/default/table?lang=en.

²³ RBS, Labour Force Survey, III Quarter 2022. *Op. cit.*

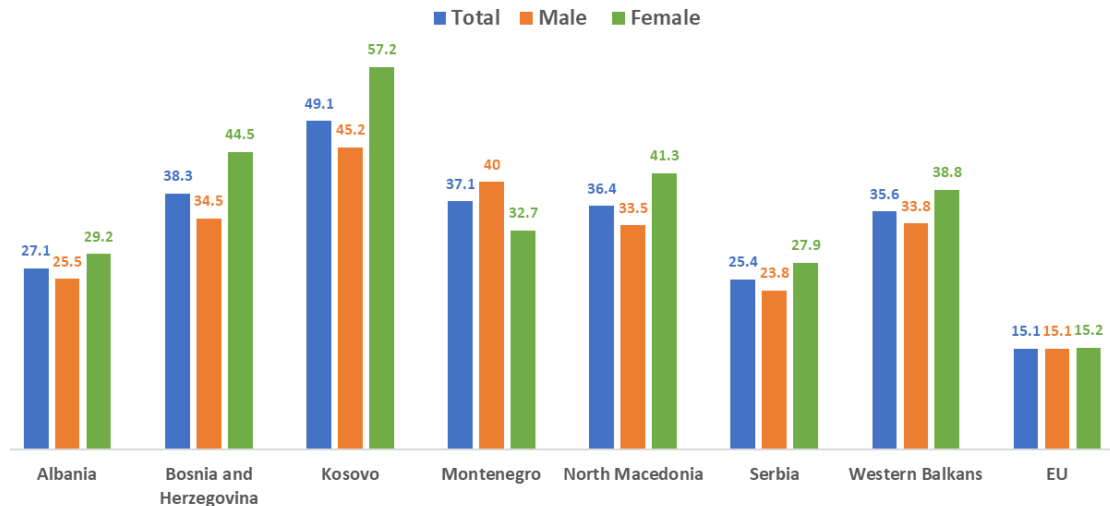
²⁴ Eurostat, EU-LFS data for the third quarter of 2022. *Op. cit.*

²⁵ Regional Cooperation Council (RCC), Employment and Social Affairs Platform 2 (ESAP 2). *Op. cit.*

²⁶ RBS, Labour Force Survey, III Quarter 2022. *Op. cit.*

Employment Promotion Program "My First Salary".²⁷ Also, during Q3 2022, the Ministry of Labour together with the Council for Social Entrepreneurship started working on the development of the Program for the Development of Social Entrepreneurship for the period 2023-2028.²⁸ Additionally, better coordination among educational institutions and firms, as well as increasing the number of trainee and internship programs could improve job opportunities for the youth.²⁹

Figure I.3 Youth unemployment rate across the Western Balkans and the European Union



Source: RBS for Serbia, ESAP for the Western Balkans, and Eurostat for the EU.

Note: Serbia and EU data for Q3 2022. Western Balkans data for 2021, except Kosovo data (2020).

- 8. Labor inactivity rate is also high in Serbia, especially among women and the Roma population.** During Q3 2022, Serbian inactivity rate surpassed the 44%. However, while male inactivity rate represented 36.3%, for women it was above 51%.³⁰ Work incentives are diminished by high labor taxes, especially among low-wage earners. On the other hand, low non-wage costs, as well as progressive labor taxes and social security contributions incentivize labor participation.³¹

Informality

- 9. Likewise, informality is still substantial in Serbia with more than 416,000 informal workers, which represents 14% of all jobs during Q3 2022.**³² Based on data from the International Labour Organization (ILO), although Serbia informal employment rate is below Albania (56.7% in 2019) and Bosnia and Herzegovina (20.7% in 2021), is still higher than in North Macedonia (9.9% in 2021).³³ Indeed, the WB's Enterprise Surveys found in 2019 that the top business environment constraint in Serbia was "Practices of the informal sector," with 20% of surveyed companies reporting this as a major obstacle (Figure I.4).³⁴

²⁷ Official Gazette of the Republic of Serbia No. 92/2022.

²⁸ National Alliance for Local Economic Development. 2022. "III Quarterly Report: October 2022". Belgrade: NALED.

²⁹ Tabak, Peter, and Sanja Borkovic. 2018. *Op. cit.*

³⁰ RBS, Labour Force Survey, III Quarter 2022. *Op. cit.*

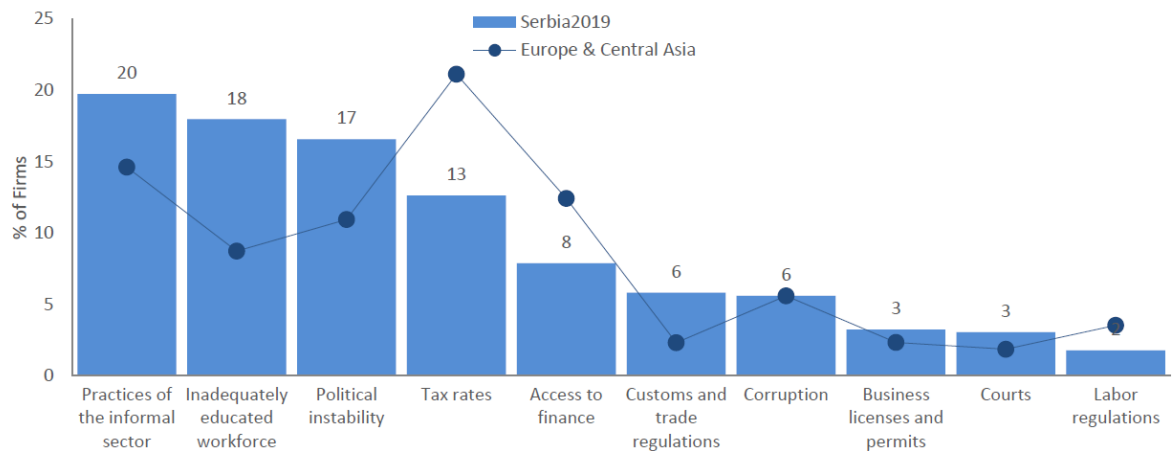
³¹ World Bank. 2020. *Serbia's New Growth Agenda. Op. cit.*

³² RBS, Labour Force Survey, III Quarter 2022. *Op. cit.*

³³ International Labour Organization, ILOSTAT. Data for Kosovo and Montenegro not available. See: <https://ilostat.ilo.org/topics/informality/>.

³⁴ World Bank. 2019. "Enterprise Surveys: Serbia 2019." Washington D.C.: World Bank Group.

Figure I.4 Top ten business environment constraints in Serbia (2019)



Source: Enterprise Surveys.

10. The GoS had implemented some measures to tackle the informal economy. In order to improve monitoring and counter tax evasion, the e-Invoicing Law was enacted in 2021, creating the Electronic Invoice System (SEF).³⁵ Similarly, the Law on Fiscalization was amended in December 2022,³⁶ introducing and specifying aspects, such as the subject of fiscalization, contents of the fiscal receipt, the fiscalization procedure, as well as data transfer to the SEF.³⁷ Nonetheless, despite of implementing better fiscalization measures to decrease informality, it is essential that Serbia creates more productive, formal private sector jobs, not only to recover from the COVID-19 shock, but to improve living standards in the long run. For workers to be enticed out of inactivity and the informal sector, more attractive jobs are needed. However, creating more and better paying jobs in Serbia will require increasing productivity through economic transformation.

11. Given the economic and social cost of excluding women and high-potential informal firms from the formal economy, creating a regulatory environment that promotes a level playing field is critical. Globally, female labor force participation is over 25 percentage points below that of men.³⁸ In Serbia, this difference is 15 percentage points. During Q3 2022, the labor force participation rate among females was 49% and among males was 64%.³⁹ The United Nations (UN) found that this is partly due to the unequal distribution of unpaid work by sex.⁴⁰ For example, Serbian females spend almost 4.5 hours per day doing unpaid work, while for males this is around two hours.⁴¹ Additionally, while 71.5% of businesses were owned by men in 2019, only 28.5% of business owners were women during the same period.⁴²

Gender gaps

12. The Serbian legal framework is generally conducive towards women's economic participation.

According to the WB's Women, Business and the Law 2022 (WBL) report, Serbia scores 100 out of 100

³⁵ Official Gazette of the Republic of Serbia No. 44/2021 and 129/2021.

³⁶ Official Gazette of the Republic of Serbia No. 138.

³⁷ European Commission. 2022. *Op. cit.*

³⁸ United Nations. 2020. *The World's Women 2020: Trends and Statistics*. New York City: United Nations.

³⁹ RBS, Labour Force Survey, III Quarter 2022. *Op. cit.*

⁴⁰ United Nations. 2020. *Common Country Analysis*. UN Country Team in Serbia.

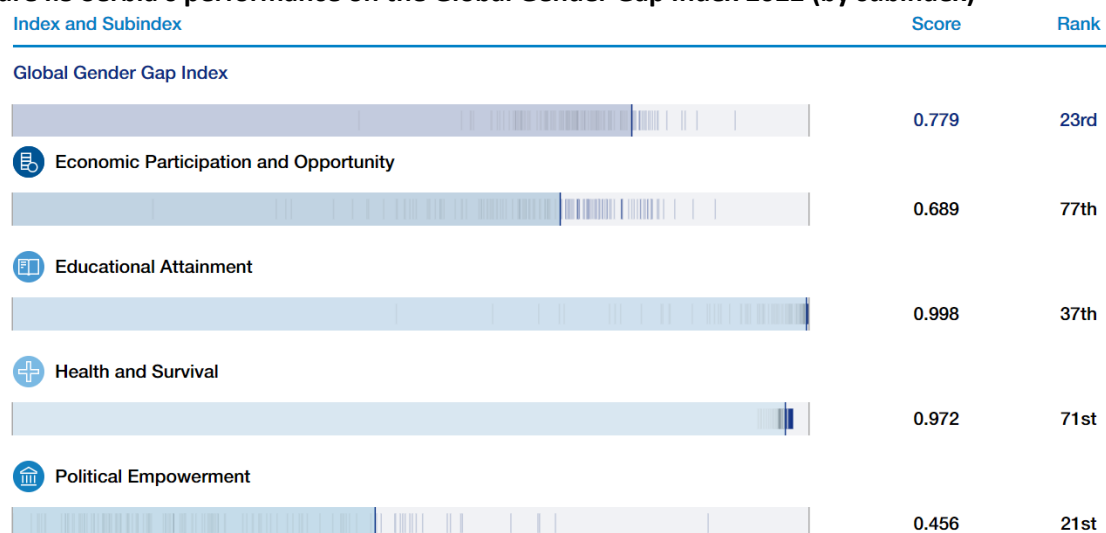
⁴¹ UN WOMEN. 2020. "Economic Value of the Unpaid Care Work in the Republic of Serbia."

⁴² World Bank's Gender Data Portal. Share of business owners, by sex (% of total business owners). See: <https://genderdata.worldbank.org/>.

points in seven out of the eight areas measured by this index.⁴³ Similarly, Serbia is considered a country with “very low” discrimination in 2019, ranking 32nd out of 120 in the OECD’s Social Institutions & Gender Index (SIGI).⁴⁴ When compared with its European neighbors, Serbia ranks 25th out of 36 countries. Furthermore, the World Economic Forum’s (WEF) Global Gender Gap Index 2022 ranks Serbia in the 23rd position out of 146, with the highest score in the “Political Empowerment” subindex and the lowest in “Economic Participation and Opportunity (Figure I.5).⁴⁵

13. Yet, there are still areas for improvement. For instance, Serbia ranks 22nd out of 32 European countries in the Gender Equality Index for the Republic of Serbia 2021.⁴⁶ While the EU average is 67.4 points out of 100 in the overall score, Serbia obtains 58 points, below Albania and North Macedonia.⁴⁷ Nonetheless, in the domain of money, which measures gender inequalities in access to financial resources and women’s and men’s economic situation, Serbia ranks 31st out of 32 countries, just above Albania.⁴⁸ In August 2022, the GoS adopted an action plan on gender equality, but bylaws and secondary regulations for the new Law on gender equality have not been adopted yet.⁴⁹ In general, discriminatory laws and regulations and absence of legal protections around the world negatively impact economic outcomes, including women’s employment, business ownership, and wages. Gender equality in the law is associated with better development outcomes, such as lower rates of vulnerable employment and extreme poverty among female workers.⁵⁰

Figure I.5 Serbia’s performance on the Global Gender Gap Index 2022 (by subindex)



Source: WEF.

⁴³ WBL database. See: <https://wbl.worldbank.org/en/wbl>.

⁴⁴ OECD’s Social Institutions & Gender Index (SIGI) 2019 database. See: <https://www.genderindex.org/ranking/>.

⁴⁵ World Economic Forum. 2022. *Global Gender Gap Report 2022*. Geneva: WEF.

⁴⁶ Data was collected in 2018.

⁴⁷ Babovic, Marija, and Marijana Petrovic. 2021. *Gender Equality Index for the Republic of Serbia 2021: Digitalization, future of work and gender equality*. Belgrade: Social Inclusion and Poverty Reduction Unit of the Government of the Republic of Serbia.

⁴⁸ The domain of money measures gender inequalities in access to financial resources and women’s and men’s economic situation. The first sub-domain of financial resources includes women’s and men’s monthly earnings and income measured through two indicators. The first is mean monthly earnings from work and the second is mean equalized net income, which besides earnings from paid work includes pensions, investments, benefits and any other source of income. The second sub-domain of economic resources captures women’s and men’s risk of poverty and the income distribution amongst women and men.

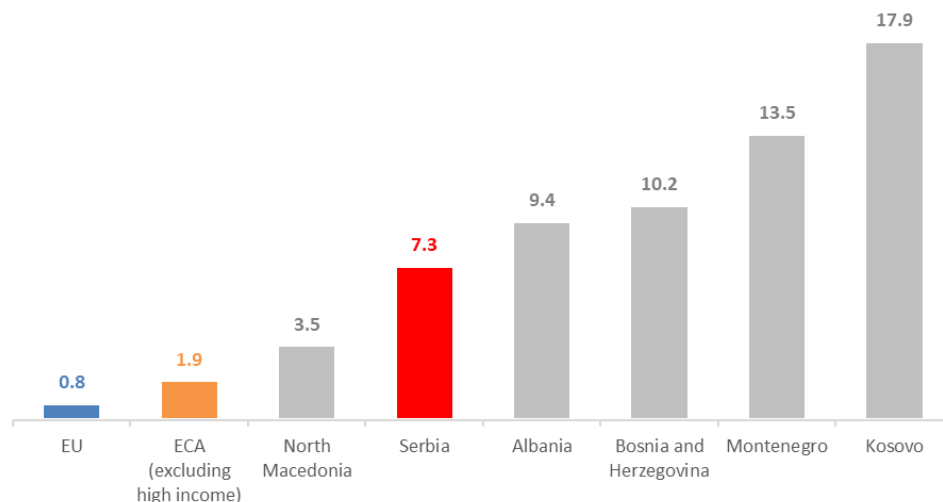
⁴⁹ European Commission. 2022. *Op. cit.* Several provisions of this Law will enter in force only in 2024.

⁵⁰ World Bank Group .2019. “Women, Business and The Law 2019, A decade of reform.” Washington, D.C.: World Bank.

Workers' skills and remittances

14. The creation of more and better private sector jobs will reduce the incentives for migration in Serbia. Among the Western Balkans economies, Serbia is the second lowest country that received remittances during 2021. Yet, remittances inflows represented more than 7% of its GDP, more than three times the ECA region (excluding high income) (Figure I.6).⁵¹ While migration provides remittances for migrant's families, it reduces the supply of workers available for domestic economic activities.⁵²

Figure I.6 Personal remittances received in 2021 (% of GDP)



Source: World Development Indicators.

15. Another challenge for the Serbian private sector is workers' skills gaps. WB's Enterprise Surveys found in 2019 that inadequately educated workforce was the second top biggest obstacle for the business community, with 18% of companies reporting this as a mayor constraint (Figure I.4, above), and among large companies this figure is even higher (31.4%). In 2013 this percentage was only 2.5%.⁵³ Another WB study from 2019 found that almost 70% of surveyed firms reported difficulties in finding workers with the right skills and qualifications.⁵⁴ More recently, the AmCham Serbia carried out in 2021 the 9th Lap Time Survey, where it was found that 62% of its members (mostly comprised by medium and large-sized companies) and 50% of Micro and Small Enterprises (MSEs) identified "Human capital" as the top key issue to choose a destination for investment.⁵⁵ Furthermore, the 10th Lap Time Survey from 2022 reports that nearly all industries are facing issues with recruiting appropriate workers at all skills levels, where "Workforce availability" will be the biggest challenge for most AmCham members (60%) in 2023 (and for 39% of MSEs).⁵⁶

⁵¹ World Bank's World Development Indicators. Personal remittances comprise personal transfers and compensation of employees. Personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from nonresident households. Compensation of employees refers to the income of border, seasonal, and other short-term workers who are employed in an economy where they are not resident and of residents employed by nonresident entities.

⁵² World Bank. 2020. *Op. cit.*

⁵³ World Bank. 2019. "Enterprise Surveys." *Op. cit.*

⁵⁴ Reyes, H., and T. Van Nguyen. 2019. "Labor Market for Growth." Background paper for the Serbia CEM "New Growth Agenda." Washington D.C.: World Bank Group.

⁵⁵ American Chamber Serbia. 2021. "9th Lap Time Survey." Belgrade: AMCHAM Serbia.

⁵⁶ American Chamber Serbia. 2022. "10th Lap Time Survey." Belgrade: AMCHAM Serbia.

16. The GoS is introducing reforms to address the skills gap. The Bertelsmann Stiftung’s Transformation Index (BTI), among other aspects, measures whether education policy is successful in delivering high-quality education and training. In its sub-index “United Nations Education Index rescaled”, Serbia obtains the minimum score, one out of 10 points. This performance is similar to Kosovo and Montenegro, while Albania, Bosnia and Herzegovina, and North Macedonia scores two points.⁵⁷ Difficulties in finding skilled staff are particularly predominant in industries relying more on advanced technologies.⁵⁸ Serbian authorities have taken some measures to address this issue. For example, both the general and vocational pre-university curricula have been gradually updated to make them more relevant to labor market needs, consolidation of the national qualification framework (NQF), new qualification standards have been adopted, among others.⁵⁹ Reforms on upgrading workers’ skills and labor market policies could add 1.3% annually to GDP growth.⁶⁰

Business environment and control of corruption

17. Besides the necessary structural reforms, in order to boost economic growth, jobs, and productivity, Serbia will need to significantly improve its business environment. Among other factors, inefficient regulations, bureaucracy, and corruption affect private sector’s development, especially to SMEs.⁶¹ In response, the GoS has implemented since 2015 a comprehensive strategy to improve the private sector development. With a cross-ministerial working group that coordinated the implementation of the different reforms, Serbia improved its performance on the *Doing Business* (DB) ranking⁶² from 91st in 2015 to 44th out of 190 in 2020.⁶³ Similarly, in the WEF’s Global Competitiveness Index (GCI) Serbia went up from 94th to 72nd out of 141 during the same period of time.⁶⁴ Yet, based on these and other international benchmarks that measure the investment climate, Serbia still has important opportunity areas that could be improved further, especially if compared to EU members or the 7STEEs countries (Figure I.7). For example, during a series of workshops for SMEs during the second half of 2022, the private sector has reported to the WB that in spite of the evident progress of the Serbian business environment, specifically on simplification of administrative procedures and costs reducing, it is still complex and complicated.⁶⁵

18. Particularly, the WEF’s GCI shows that Serbia’s performance is low across the following pillars: Institutions; Information and Communication Technologies (ICT) adoption; Product Market; Market size; and Innovation capacity (Figure I.8).⁶⁶ Similarly, the DB 2020 report found that there is still ample space for improvement in some specific business areas. Although the reforms implemented between 2015-2020 on construction permits, minority investors protection, and insolvency resolution significantly increased Serbia’s performance; other areas such as electricity connection, tax payments,

⁵⁷ Hartmann, Hauke, and Peter Thiery. 2022. *Bertelsmann Stiftung Transformation Index 2022: Global Findings*. Gütersloh: Bertelsmann Stiftung.

⁵⁸ World Bank. 2019. *Op. cit.*

⁵⁹ European Commission. 2022. *Op. cit.*

⁶⁰ World Bank. 2020. *Serbia’s New Growth Agenda*. *Op. cit.*

⁶¹ World Bank. 2020. *Op. cit.*

⁶² The DB report was discontinued in September 2021 (<https://www.worldbank.org/en/news/statement/2021/09/16/world-bank-group-to-discontinue-doing-business-report>). As such, the use of DB data in this report is in accordance with the internal guidance for WBG staff. Additionally, limitations on the DB methodology can be found at <https://archive.doingbusiness.org/en/about-us/faq>. Common misconceptions about DB can be found at <https://archive.doingbusiness.org/en/methodology/common-misconceptions>.

⁶³ *Doing Business* database. See: <https://archive.doingbusiness.org/en/doingbusiness>.

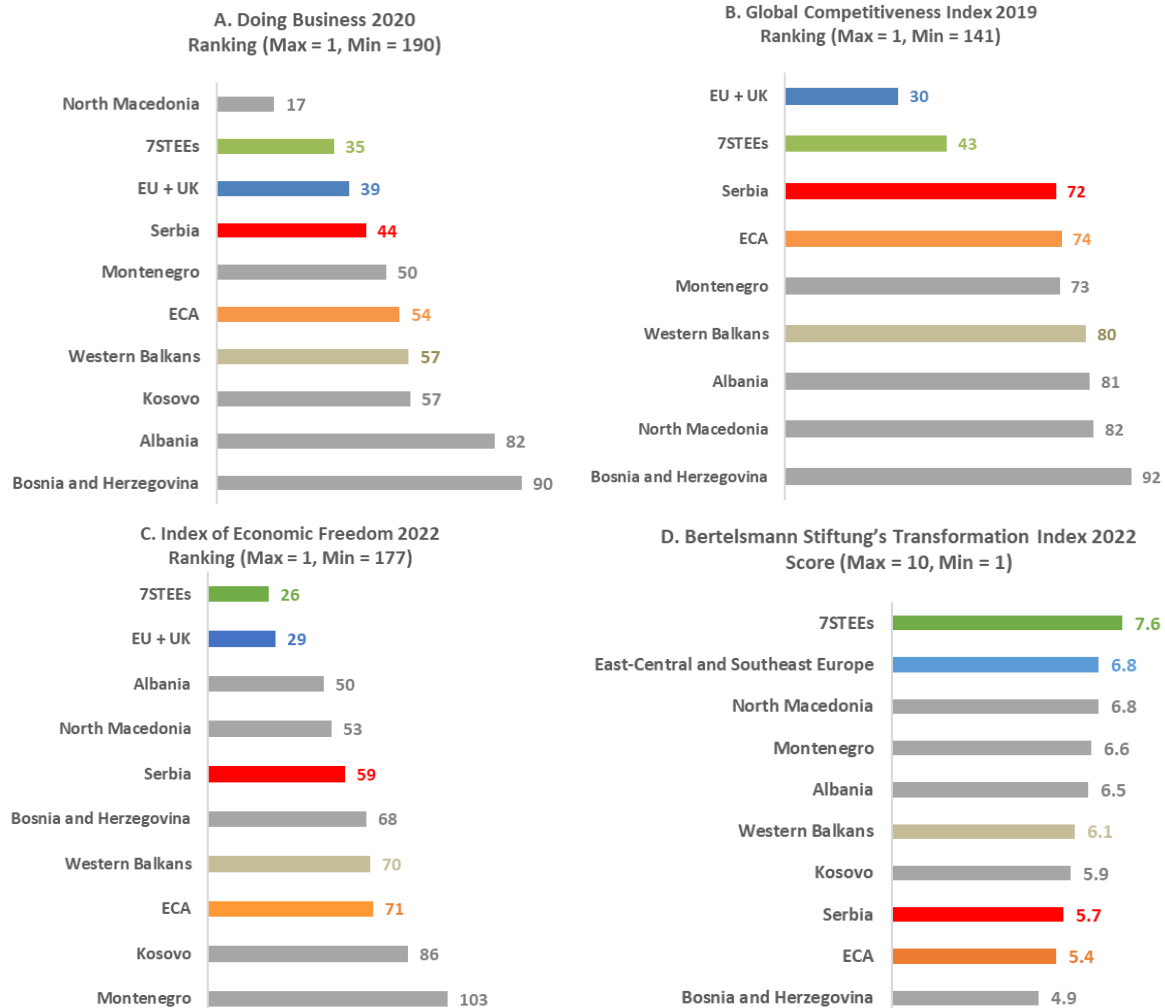
⁶⁴ Global Competitiveness Index database. See: <https://www.weforum.org/reports?utf8=%E2%9C%93&query=global+competitiveness>.

⁶⁵ World Bank. 2022. “Validation of the 2nd bi-annual report on BE in Serbia and Preliminary findings/recommendation.” EU for Better Business Environment (EU4BE).

⁶⁶ World Economic Forum. 2019. *The Global Competitiveness Report 2019*. Geneva: WEF.

contracts enforcement—and to some extent opening a business and access to credit—need to be reformed (Figure I.9).⁶⁷

Figure I.7 Investment Climate in Serbia as measured by international benchmarks (2019-2022)



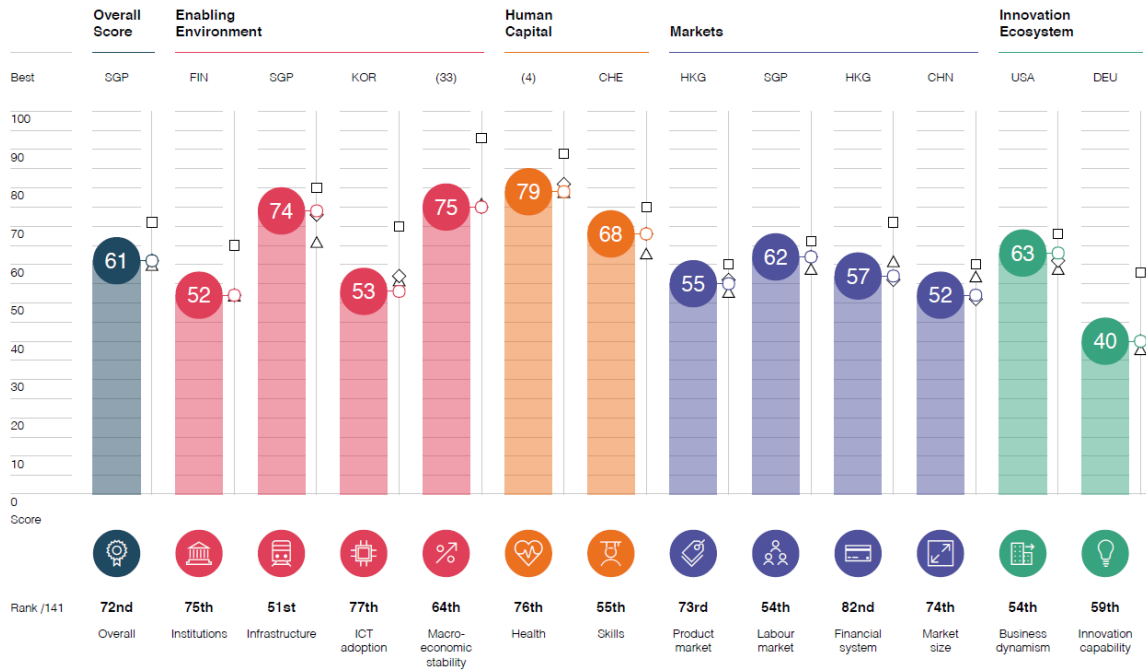
Source: A: *Doing Business* Database; B: WEF; C: The Heritage Foundation; and D: Bertelsmann Stiftung's Transformation Index.

Note: A, B, C, and D: ECA region excludes OECD high income countries. D: The BTI Score is the simple average of its two main indices, the Status Index and the Governance Index. The BTI does not include high-income countries, including the ones belonging to the EU. Conversely, it measures the East-Central and Southeast Europe region, which includes 17 economies.⁶⁸

⁶⁷ World Bank. 2019. *Doing Business 2020: Comparing Business Regulation in 190 Economies*. Washington, D.C.: World Bank Group.

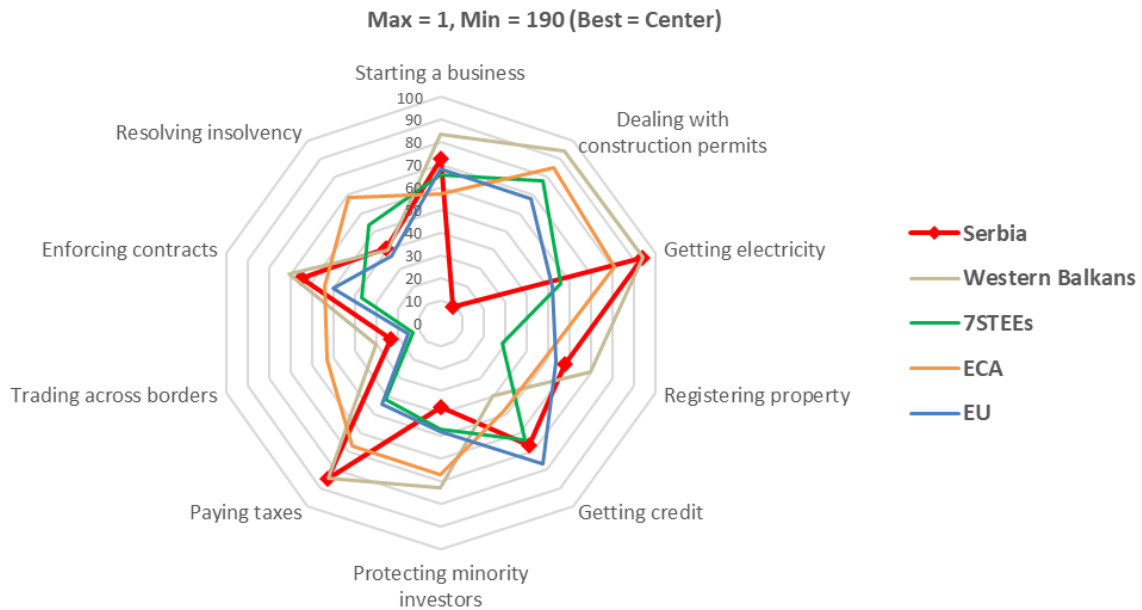
⁶⁸ Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia, Slovenia. For more information, see: <https://bti-project.org/en/?&cb=00000>.

Figure I.8 Serbia's overall performance on the GCI 2019 (by pillar)



Source: WEF.

Figure I.9 Serbia's overall performance on Doing Business 2020 (by indicator)



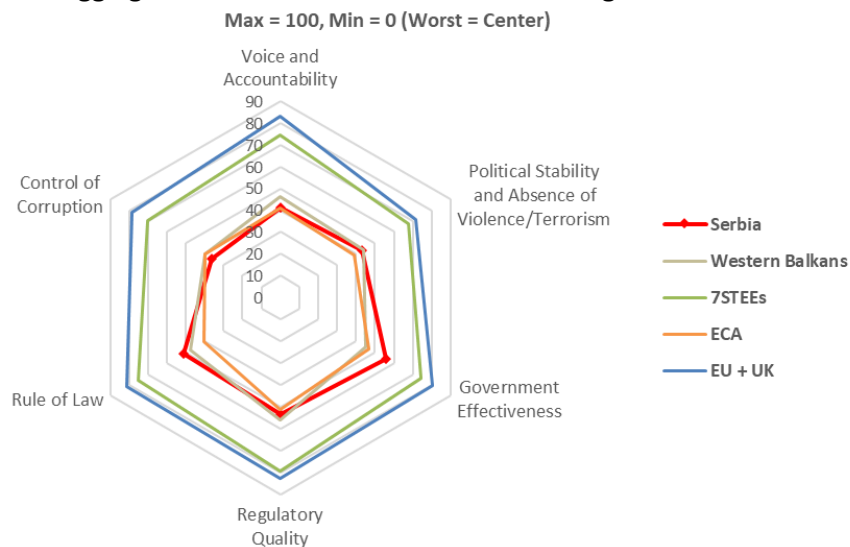
Source: *Doing Business* database.

Note: ECA region excludes OECD high income countries.

19. The WB's Worldwide Governance Indicators (WGI) also point to control of corruption as a major concern. Except for the Government Effectiveness dimension, where Serbia performs better than Bulgaria, Serbia underperforms all 7STEEs peers across five out of the six dimensions measured by the

WGI. Additionally, Serbia is below the Western Balkans average score on the dimensions of Voice and Accountability, Political Stability, and Regulatory Quality (Figure I.10).⁶⁹

Figure I.10 Serbia lagging behind the EU + UK and 7STEEs averages on all WGI's six dimensions



Source: Worldwide Governance Indicators.

Note: ECA region excludes OECD high income countries

Competition

20. Another challenge that has been identified as a structural barrier to Serbian's private sector, especially for SMEs, is the lack of competition. Serbia counts with a legal and institutional competition framework since the mid-2000s. The Commission of Protection Competition (CPC) was created with the 2005 Competition Law, which was later amended in 2013. Despite this, as well as of the privatization processes, sectorial reforms, and measures to improve SOEs' governance; Serbia still experiences important challenges on having a leveled play field.⁷⁰

21. The OECD's Product Market Regulation (PMR) indicators measure the degree to which policies promote or inhibit competition in markets for goods and services. In its 2018 edition, some non-OECD countries from the ECA region were added, including Serbia. Based on PMR's 2018 results, Serbia underperforms regional peers such as Albania, Romania, Croatia, or Bulgaria (Figure I.11, left).⁷¹ Some of the main competition restrictions found by the PMR were weak SOE governance, inadequate state aid control, and relatively wide scope of public ownership in segments where private operations are viable.⁷² Similarly, the WEF's GCI identifies domestic competition and the extent of market dominance as opportunity areas for improvement (Figure I.11, right).⁷³

⁶⁹ Worldwide Governance Indicators' database. See: <https://info.worldbank.org/governance/wgi/>.

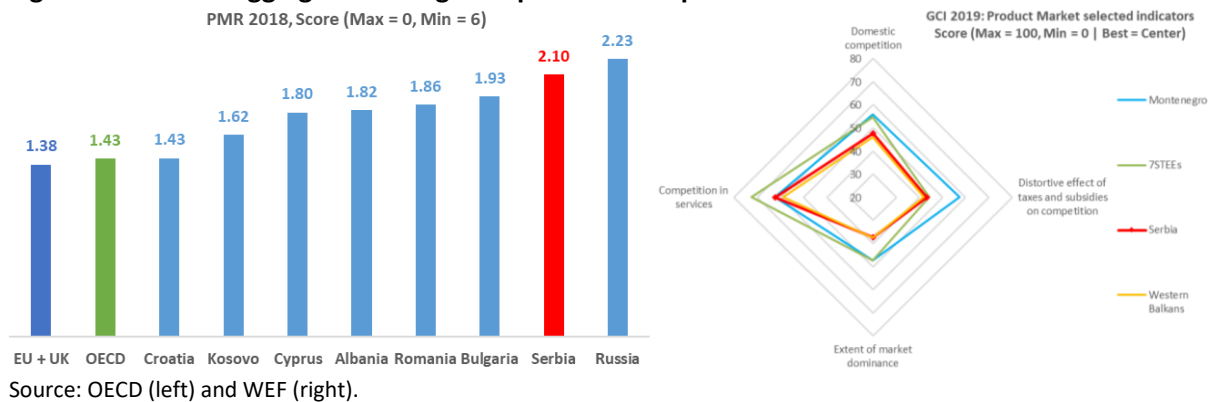
⁷⁰ World Bank. 2019. *Serbia's New Growth Agenda: Removing Regulatory Barriers to Competition*. Washington D.C.: World Bank Group.

⁷¹ OECD's PMR 2018 Indicators. See: <https://www.oecd.org/economy/reform/indicators-of-product-market-regulation/>.

⁷² World Bank. 2019. *Serbia's New Growth Agenda: Removing. Op. cit.*

⁷³ Global Competitiveness Index database.

Figure I.11 Serbia lagging behind regional peers on competition indicators



22. The Serbian economy has shown resilience to the COVID-19 impact, partially due to its robust macroeconomic environment, relatively low integration to global supply chains, among other factors.⁷⁴ Nevertheless, a survey shows negative effects due to the pandemic on business, where 75% of SMEs reported revenues lower than expected. Additionally, the most affected industries were travel, hospitality, transport, cultural, and creative industries.⁷⁵ The COVID-19 crisis has intensified the urgency for reforms to support the recovery and sustainable growth of micro and SMEs, as well as younger firms. Furthermore, the supply and demand shocks caused by the COVID-19 pandemic have intensified the need to boost productivity and economic transformation. Businesses that are no longer viable will have to close and capital and labor will have to be reallocated to more productive firms, requiring a flexible and agile business environment. The crisis will likely open opportunities for innovative entrepreneurs to adapt their business models, increase their use of digital technologies, and produce newly demanded products and services.

23. Legal and regulatory reforms can facilitate the reallocation of resources across the economy and help firms better cope with the challenges posed by the COVID-19 crisis. Such changes are often not costly, an important consideration for fiscally constrained governments. The GoS could implement cost-effective reforms, such as decreasing the burden of regulatory compliance, while improving the operational flexibility of nascent enterprises and cash-constrained firms alike. Furthermore, reforms will require effective coordination and accountability mechanisms across public agencies at the national and local levels.

⁷⁴ United Nations. 2020. *Op. cit.*

⁷⁵ Center for Advanced Economic Studies. 2020. "The COVID-crisis and Serbia's SMEs: Assessment of Impact and Outline of Future Scenarios." CEVES supported by the World Bank.

II. Cross-cutting Business Regulation Environment (BRE) Aspects

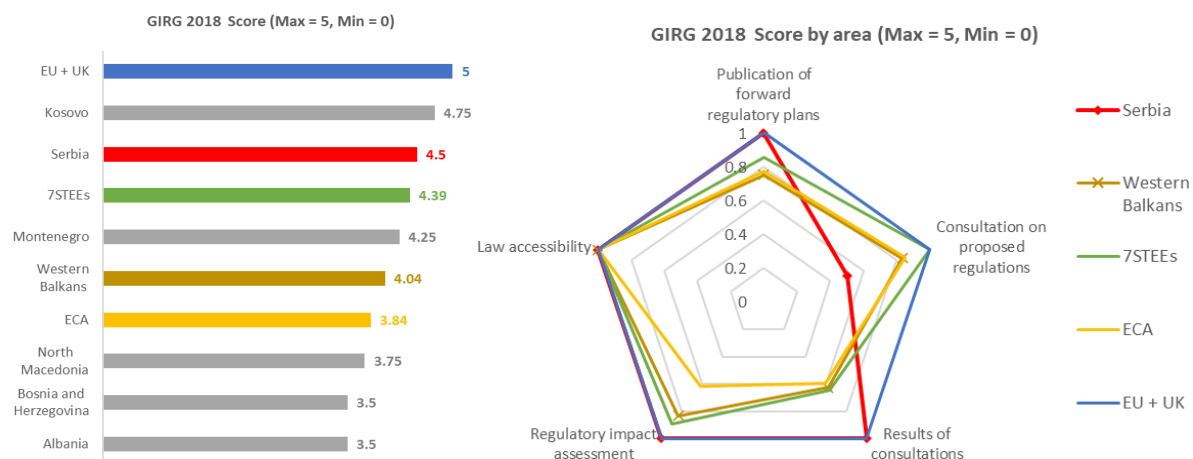
II.1 Regulatory governance and predictability in implementing laws and regulations

24. Legal certainty and regulatory predictability are key to stimulate private investment. Business associations and the EU have raised concerns that changes of regulations are unpredictable and too frequent in Serbia, generating uncertainty for domestic and foreign investors.⁷⁶ A well-established policy on regulatory governance is an effective mechanism to provide predictability in implementing laws and secondary regulations to the private sector. This is achieved by for example, implementing regulatory reform tools, such as *ex ante* impact assessment of regulations, public consultations, inventory of administrative procedures, transparency and control of corruption measures, among others. This section covers all these aspects. It is also important to mention that the lack of a coherent regulatory governance agenda can negatively impact significant progress on business environment reforms, especially with initiatives that aim to reduce the administrative burden.

Regulatory reform tools

25. A comprehensive regulatory governance framework contributes to efficiency and accountability of regulatory decision making. The WB’s Global Indicators of Regulatory Governance (GIRG) explore how policymakers interact with stakeholders when shaping regulations affecting business communities and measure key regulatory reform tools, such as rulemaking transparency, public consultation, impact assessment of regulations, and laws’ accessibility.⁷⁷ With 4.5 out of five points on the GIRG, Serbia outperforms ECA (3.8), the Western Balkans (4) and the 7STEEs (4.4). The only area where Serbia obtains half a point is “Consultation of proposed regulations”, since not all comments on proposed regulations from the general public are publicly accessible, nor a specialized government body or department is tasked with soliciting and receiving these comments (Figure II.1.1).

Figure II.1.1 Global Indicators of Regulatory Governance across Europe



Source: Global Indicators of Regulatory Governance database.

Note: ECA region excludes OECD high income countries.

⁷⁶ World Bank. 2020. *Op. cit.*

⁷⁷ World Bank’s Global Indicators of Regulatory Governance database. See <https://rulemaking.worldbank.org/en/rulemaking>.

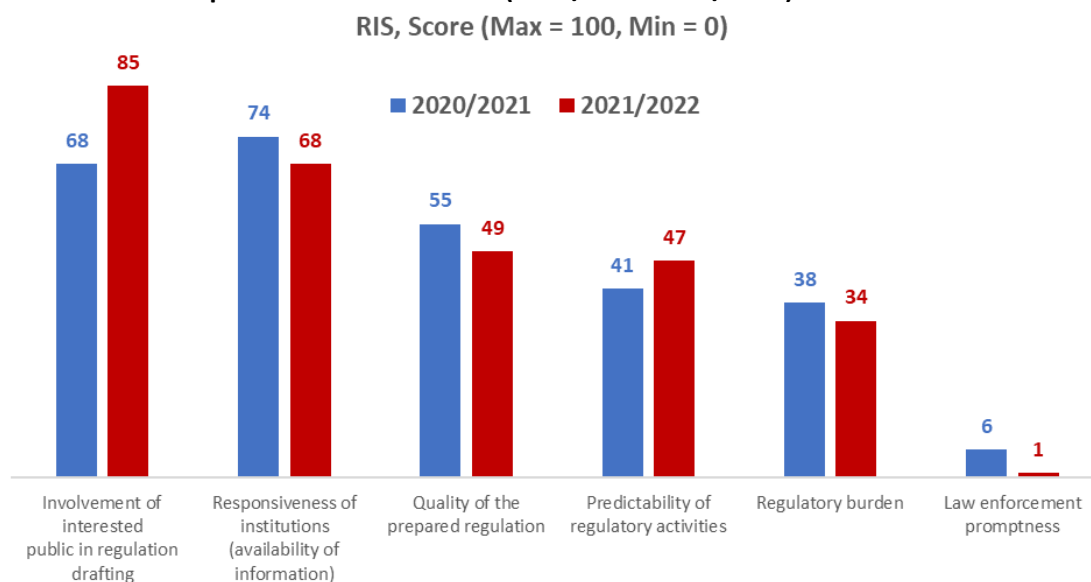
- 26. The Public Policy Secretariat (PPS) has reported that, in accordance with the applicable e-consultation regulation, each government institution responsible of drafting a regulation (the proponent), conducts a consultative process with the interested public, with the mandate to request, receive, and collect the respective comments.** After carrying out the consultation, it is the proponents' duty to publish the report on the consultation process and public debate on each proponent's website through the e-Consultation platform. However, despite this, the European Commission reports that the implementation and systematization of this system has to be improved since not all results of public consultations are public (despite the legal mandate for this).
- 27. The PPS is in charge of the implementation of *ex ante* analysis of regulations.** *Ex ante* impact analysis is mandatory to be performed for all laws and secondary regulations which substantially modify the manner of exercising rights, obligations, and legal interests of natural and legal persons. Nonetheless, there are exemptions to the application of *ex ante* impact assessments, such as: i) Law on the Budget of the Republic of Serbia; ii) Public policy documents and regulations on emergencies (e.g., mitigation of catastrophes, natural or other disasters); iii) Public policy documents and regulations related to national security (e.g., defense); and iv) Regulations for the harmonization with an already adopted laws.⁷⁸ As reported by the PPS, this institution issued on draft laws 87 opinions (of which 33 required an impact analysis) in 2020, 217 opinions (103 with impact analysis) in 2021, and 78 opinions (24 with impact analysis) in 2022. Similarly, during 2020 the PPS issued on proposed secondary regulations 215 opinions (52 with impact assessment), 238 opinions (81 of them requiring impact assessment) in 2021, and 193 opinions (70 requiring impact analysis) for 2022. Additionally, based on Article 41 of the Law on the Planning System of the Republic of Serbia, *ex post* impact assessments are mandatory.⁷⁹
- 28. Another metric related to regulatory governance is the Regulatory Index of Serbia (RIS).** The National Alliance for Local Economic Development (NALED), a Serbian think tank, elaborates the RIS, which is comprised by six components: i) Plan for amendments and enactment of laws (predictability of regulatory activities); ii) *Ex ante* regulatory impact analysis (quality of the prepared regulation); iii) Quality of stakeholder involvement (involvement of interested public in regulation drafting); iv) The manner of implementation of the law (law enforcement promptness); v) Openness of institutions during the implementation of the law (responsiveness of institutions); and vi) Monitoring the effects of a law (regulatory burden).⁸⁰
- 29. The overall score for the 2021/2022 RIS is 47 out 100 points, which is the same as previous year's score.** Actually, except for the components of involvement of interested public in regulation drafting and the predictability of regulatory activities, the other four regulatory aspects experienced a setback with respect the previous period (Figure II.1.2).

⁷⁸ Article 41 of the Law on the Planning System of the Republic of Serbia and Article 6 of the Regulation the Methodology of Public Policy Management, Impact Analysis of Public Policies and Regulations, and the Content of Individual Public Policy.

⁷⁹ The methodology and procedures for implementing *ex post* regulatory impact analysis are established in Articles 59 and 64-66 of the Regulation the Methodology of Public Policy Management, Impact Analysis of Public Policies and Regulations, and the Content of Individual Public Policy Documents.

⁸⁰ National Alliance for Local Economic Development. 2022. *Annual Report: Regulatory Environment Quality in Serbia 2021/2022*. Belgrade: NALED.

Figure II.1.2 Serbia's performance on the RIS (2020/2021-2021/2022)



Source: NALED.

30. The component that experienced the largest improvement is the stakeholder involvement in the preparation of regulations. NALED reports that during the last year some kind of public consultation with the private sector took place in 90% of adopted laws and only 6% of laws were approved under the urgent procedure modality.⁸¹ Also, in December 2021 an e-Consultation platform was established with the objective to enable the public to participate in the process of preparation and adoption of all public policy documents and regulations electronically in one place and publicly accessible.⁸² Nevertheless, organizations of civil society have informed that public consultation periods remain short and that their comments on draft regulations have not been given adequate consideration and follow-up. Additionally, there is a lack of an agency or bureau responsible of public consultation process' quality control and there is the need to introduce a mechanism that allows for inter-institutional coordination across relevant agencies.⁸³ Beyond Serbia's performance on the GIRG and RIS, there are important opportunity areas that can improve the regulatory process in Serbia. Table XX summarizes several aspects that could be reformed.

Table II.1.1 Regulatory governance areas that Serbia could improve (based on the GIRG)

Transparency of rulemaking	Publication of regular reports on regulatory reforms
	Distribution of proposed regulations to interested stakeholders, such as business associations or other groups
	Establishment of the time frame for publication of proposed regulations in law
	Provision of explanatory or background materials of proposed regulations to help the general public understand its purpose and applicability
Public consultation in rulemaking	Full implementation and systematization of the unified website for all proposed regulations or relevant regulators' websites for receiving comments on proposed regulations from the general public
	Enable a mechanism for receiving comments on proposed regulations from the general public through targeted outreach to stakeholders, such as business associations or other groups
	Allow for comments on proposed regulations from the general public to be given anonymously

⁸¹ *Ibidem*.

⁸² See <https://ekonsultacije.gov.rs/>.

⁸³ European Commission. 2022. *Op. cit.*

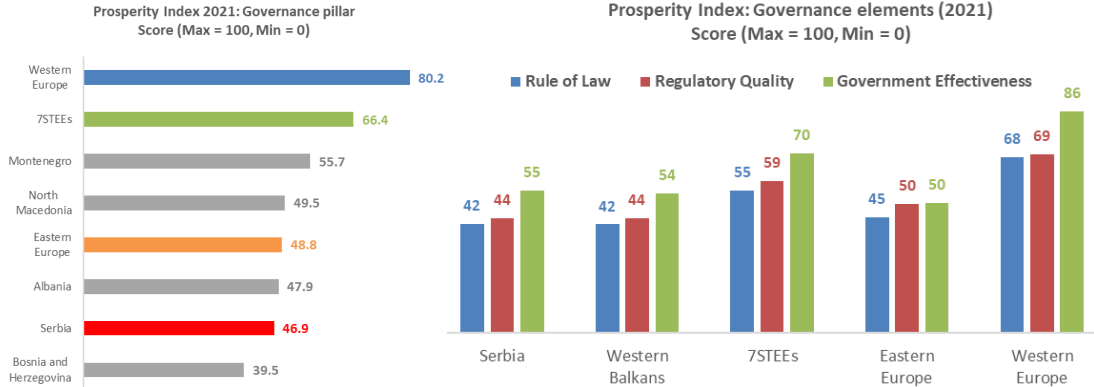
	Improve the publication of all received comments on proposed regulations from the general public through the e-Consultation portal
	Specialized government body or department tasked with soliciting and receiving comments from the general public on proposed regulations
	Establishment of the time frame for the consultation period of proposed regulations in law
	Guidance to participants to help them provide actionable comments (e.g., to encourage them to provide valuable evidence and strong arguments)
Impact assessment	Implementation of impact assessments on the environment
	Introduction of criteria used for determining which proposed regulations are subjected to an impact assessment (e.g., if impact on business or the economy is higher than a specific monetary threshold)
	Currently, impact assessments are distributed after the consultation period for proposed regulations. It would be ideal to distribute the impact assessments together with the draft proposed regulations
Ex-post review	As established by law, ensure that <i>ex-post</i> reviews (e.g., assessing the effectiveness of regulation once it has entered into force) are conducted for all applicable regulations
Accessing laws and regulations	Currently, secondary regulations in effect are available in a single place managed by the private sector. It would be ideal to have a single place managed by the government
Challenging regulations	Allow affected parties to be able to request reconsideration or appeal on adopted regulations to the relevant administrative agency
	Establishment of a requirement so regulations can be periodically reviewed to see whether they are still needed or should be revised

Source: Global Indicators of Regulatory Governance database.

Regulatory Burden ●

31. During 2019 in Serbia, firms’ senior management spent 10% of their time dealing with the requirements of government regulation.⁸⁴ Also, the once-only principle is not applied across all administrative procedures since SMEs have reported that public agencies request documents and authorizations that have been previously submitted or granted.⁸⁵ Serbia scores less than 35 points out of 100 in the GCI’s “Burden of government regulation” indicator, below the Western Balkans’ average score of 38.6 points.⁸⁶ Among other aspects, the Prosperity Index includes in its Governance pillar the rule of law, regulatory quality, and government effectiveness elements.⁸⁷ Except for Bosnia and Herzegovina, Serbia underperforms to all its neighbors (Figure II.1.3).

Figure II.1.3 Perceptions of governance in Serbia are low across Europe



Source: The Legatum Prosperity Index database.

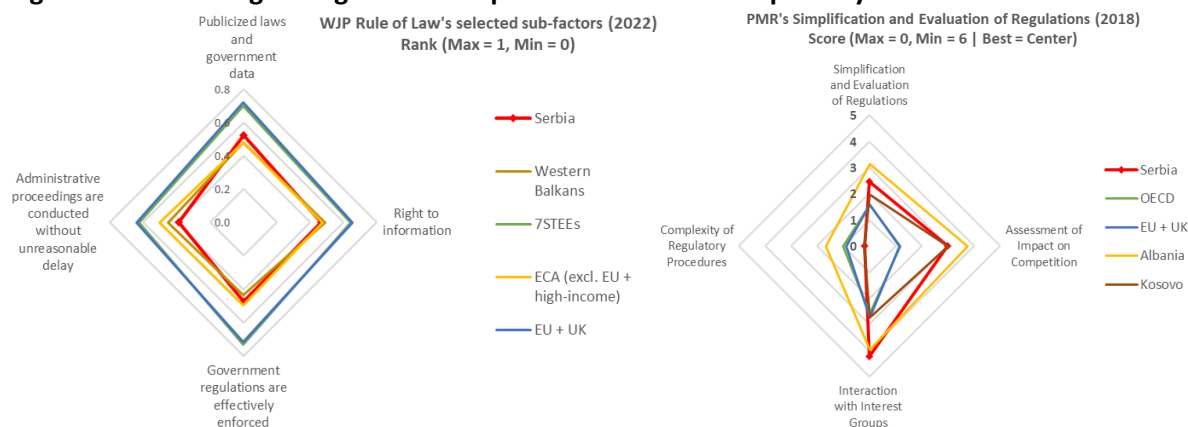
⁸⁴ World Bank. 2019. “Enterprise Surveys.” *Op. cit.*

⁸⁵ World Bank. 2022. “Validation” *Op. cit.*

⁸⁶ Global Competitiveness Index database.

⁸⁷ Legatum Institute. 2021. *The Legatum Prosperity Index: A tool for transformation 2021*. London: The Legatum Institute Foundation.

Figure II.1.4 Challenges on government performance and transparency



Source: World Justice Project (left) and OECD (right).
 Note: Data for Montenegro not available in the WJP.

32. The World Justice Project's (WJP) Rule of Law Index (Figure II.1.4, left),⁸⁸ as well as the OECD's PMR (Figure II.1.4, right),⁸⁹ find challenges on different aspects related to government efficiency, transparency, and simplification and evaluation of regulations. Access to public information has improved in Serbia thanks to the implementation of the national open data portal, making available information from 109 public institutions.⁹⁰ Moreover, in November 2021 the Law on access to information of public importance was amended, improving aspects such as the expansion of the Commissioner's jurisdiction, expansion of information content regarding authorities' activities, better definition of which national agencies, local governments and SOEs are obliged to respond information requests, as well as tighter penal provisions in case of improper handling of information requests. Yet, the implementation of reform needs to be monitored to ensure that for instance, the previously identified issues on the administrative silence to citizens' requests are effectively addressed.⁹¹ For instance, the RIS' component related to openness of institutions during the implementation of the law observed a decline in the 2021/2022 score, due to fact that government agencies answered less than 60% of information requests made by the private sector.⁹²

Control of corruption ●

33. Another important aspect for a well-functioning regulatory framework is control of corruption. During 2019 almost 7% of Serbian firms experienced at least one bribe payment request from public officials. This figure varies depending on the size and location of companies. For instance, it increases up to 8.6% for medium-sized businesses and in Belgrade the bribery incidence was above 11%, while in South Serbia was 6.1% and in the Vojvodina region only 2.4%.⁹³ During the same period, the bribery incidence rate in the 7STEEs was 3.9% on average.⁹⁴ Serbia scores 39 points out of 100 in the GCI's Transparency sub-pillar, in line with the Western Balkans' average but below the 7STEEs average (55.7 points).⁹⁵

⁸⁸ World Justice Project. 2022. *Rule of Law index 2022*. Washington, D.C.: The World Justice Project.

⁸⁹ OECD's PMR 2018 Indicators.

⁹⁰ European Commission. 2022. *Op. cit.*

⁹¹ *Ibidem*.

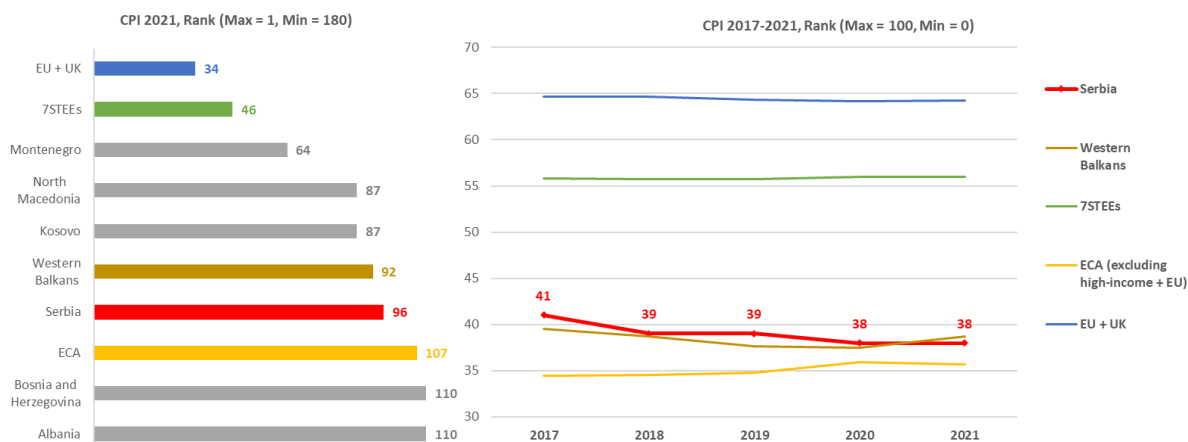
⁹² National Alliance for Local Economic Development. 2022. *Annual Report. Op. cit.*

⁹³ World Bank. 2019. "Enterprise Surveys." *Op. cit.*

⁹⁴ Data for Bulgaria and the Slovak Republic from 2013.

⁹⁵ Global Competitiveness Index database.

Figure II.1.5 Corruption Perception Index during the last five years (2017-2021)



Source: Transparency International.

Note: ECA region excludes high-income and EU members.

34. Firm’s operations can be constrained by inefficient regulations, which create opportunities for soliciting bribes. At the same time, bribes add to the bureaucratic costs in obtaining public services and can be a serious impediment for firms’ growth and development. In line with EU rulings, the GoS has reformed its legal framework and a dedicated anti-corruption body, the Agency for the Prevention of Corruption, has been established. Likewise, Serbia is a signatory of different conventions: Europe’s Civil Law Convention on Corruption, the Council’s Criminal Law Convention on Corruption, the UN Convention against Transnational Organized Crime, or the UN Convention against Corruption. Serbia is also a member of the Group of States against Corruption (GRECO).⁹⁶ Notwithstanding, the GoS has acknowledged that implementation of anti-corruption measures remains a significant challenge.⁹⁷ As a result, different benchmarks consistently show corruption as an area of concern. For example, Serbia’s performance on the Corruption Perception Index (CPI) had decreased during the last five years (Figure II.1.5).⁹⁸ The International Country Risk Guide (ICRG) identifies corruption as a risk that affects political stability of countries. Serbia scores two out of six points on the ICRG,⁹⁹ similar to Albania, but below other neighbor countries—Estonia (4 points), Slovenia (3.5), Bulgaria, Croatia or Lithuania (3), and Latvia or the Slovak Republic (2.5 points).¹⁰⁰ Private sector organizations in Serbia also report corruption as an important issue. For example, in the most recent Lap Time report by the American Chamber of Commerce in Serbia tackling corruption was perceived as a priority reform by most AmCham member and nearly half of surveyed SMEs.¹⁰¹

35. While the Law on the Prevention of Corruption requires income and asset disclosure by appointed or elected officials,¹⁰² media has reported cases where high-level officials have failed to report assets.¹⁰³ Also, although the Whistleblower Protection Law protects individuals who report corruption

⁹⁶ U.S. Department of State. 2022. *Op. cit.*

⁹⁷ United Nations. 2020. *Common Country Analysis*. UN Country Team in Serbia.

⁹⁸ Transparency International. 2022. *Corruption Perception Index 2021*. Berlin: Transparency International.

⁹⁹ The ICRG rating comprises 22 variables in three subcategories of risk: political, financial, and economic. A separate index is created for each of the subcategories. The Political Risk index is based on 100 points, Financial Risk on 50 points, and Economic Risk on 50 points. The total points from the three indices are divided by two to produce the weights for inclusion in the composite country risk score.

¹⁰⁰ Harvard Dataverse. 2022. “International Country Risk Guide (ICRG) Researchers Dataset”, <https://doi.org/10.7910/DVN/4YHTPU>.

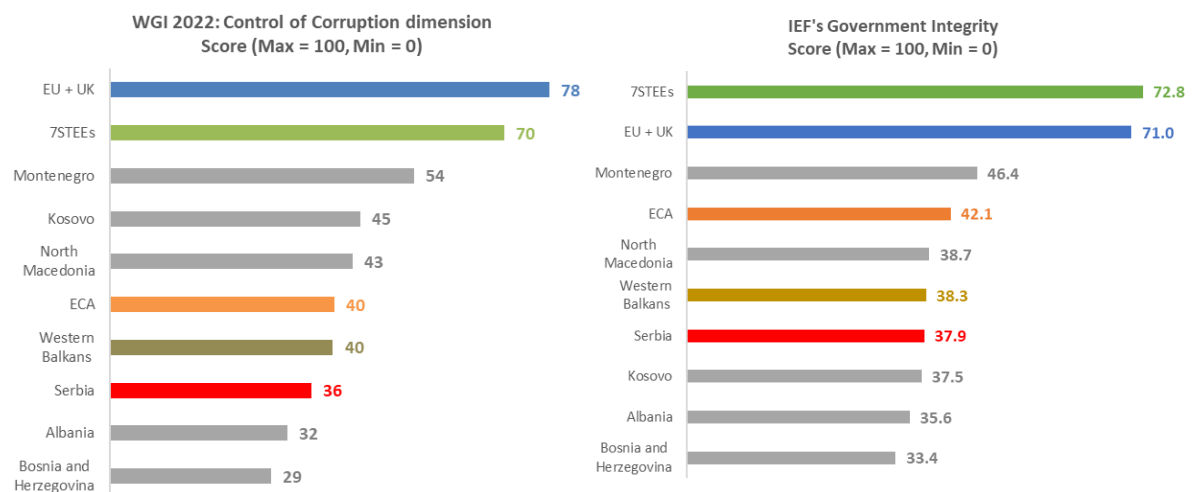
¹⁰¹ <https://amcham.rs/wp-content/uploads/2023/04/ENG-e-Deseto-prolazno-vreme-B.pdf>

¹⁰² The Law entered into force in 2020 and it also regulates conflicts of interest for public officials. Disclosures cover assets of officials, spouses, and dependent children.

¹⁰³ U.S. Department of State. 2022. *Op. cit.*

in companies and government agencies, whistleblowers have indicated that they have not received adequate protection in high-profile cases against SOEs.¹⁰⁴ Additionally, authorities have not enacted regulations mandating the establishment of internal codes of conduct for private firms and the new version of anti-corruption strategy and action plan that replace the 2013-2018 National Strategy for Fighting Corruption has not been drafted.¹⁰⁵ Moreover, corruption investigations and arrests usually target low or mid-level public officials, and trials are usually characterized by lengthy appeal processes.¹⁰⁶ The above could partially explain why Serbia underperforms most of its regional peers on control of corruption and government integrity. For example, Serbia only outperforms Albania and Bosnia and Herzegovina on the Worldwide Governance Indicator related to corruption, but its score is practically half the average score obtained by the EU+UK and 7STEEs regions (Figure II.1.6, left).¹⁰⁷ Similar results are observed in the Government Integrity indicator from the Index of Economic Freedom (IEF) (Figure II.1.6, right).¹⁰⁸

Figure II.1.6 Control of Corruption and Government Integrity across Europe



Source: World Bank (left) and The Heritage Foundation (right).

Note: ECA region excludes OECD high income countries.

¹⁰⁴ *Ibidem*.

¹⁰⁵ European Commission. 2022. *Op. cit.*

¹⁰⁶ U.S. Department of State. 2022. *Op. cit.*

¹⁰⁷ Worldwide Governance Indicators' database.

¹⁰⁸ The Heritage Foundation. 2022. *2022 Index of Economic Freedom*. Washington, D.C.: The Heritage Foundation.

II.2 Digital Readiness

36. Public service delivery and government efficiency significantly rely on the implementation of electronic platforms, the use of ICT solutions, and online services. An important element that should be considered for the successful implementation of business regulatory reforms is having a reasonable level of digital readiness across Serbia. This is crucial for the efficient and secured provision of electronic government (eGov) services. Similarly, the degree on how ICTs and online webservices are used by citizens and businesses will also influence how fast eGov services will be accepted and spread out across the population.

37. Improving digital readiness of the public and private sectors can support businesses during the reopening and recovery post COVID-19 period. Governments that have invested in eGov services and digitization have been better prepared to continue functioning in the context of social distancing. Countries with sound eGov infrastructure and services are also better positioned during the re-opening phases. In general, different international benchmarks indicate that in general, Serbia has medium-high levels of digital readiness (Table II.2.1).

Table II.2.1 Serbia’s performance in international benchmarks related to ICT adoption and digital practices

Source	Index or Indicator	Rank	Year
United Nations	E-Government Survey	40 th out of 193	2022
World Bank Group	GovTech Maturity Index	11 th out of 198	2022
Portulans Institute	Network Readiness Index	55 th out of 131	2022
World International Property Organization	Global Innovation Index	55 th out of 132	2022
European Commission	eGovernment Benchmark*	31 st out of 35	2021
e-Governance Academy	National Cyber Security Index	19 th out of 161	2021
Mobile Connectivity Index	Global System for Mobile Association	54 th out of 170	2021
B2C E-commerce Index	UNCTAD	43 rd out of 152	2020
International Telecommunications Union	Global Cybersecurity Index	39 th out of 182	2020
World Economic Forum	ICT adoption pillar	77 th out of 141	2019
International Telecommunications Union	ICT Development Index	55 th out of 176	2017
World Bank Group	Digital Adoption Index**	40 th out of 183	2016

Note: *The eGovernment Benchmark represents the average score between 2020 and 2021. **The Digital Adoption Index does not publish rankings, therefore the rank for Serbia was estimated based on its score.

Electronic government maturity ●

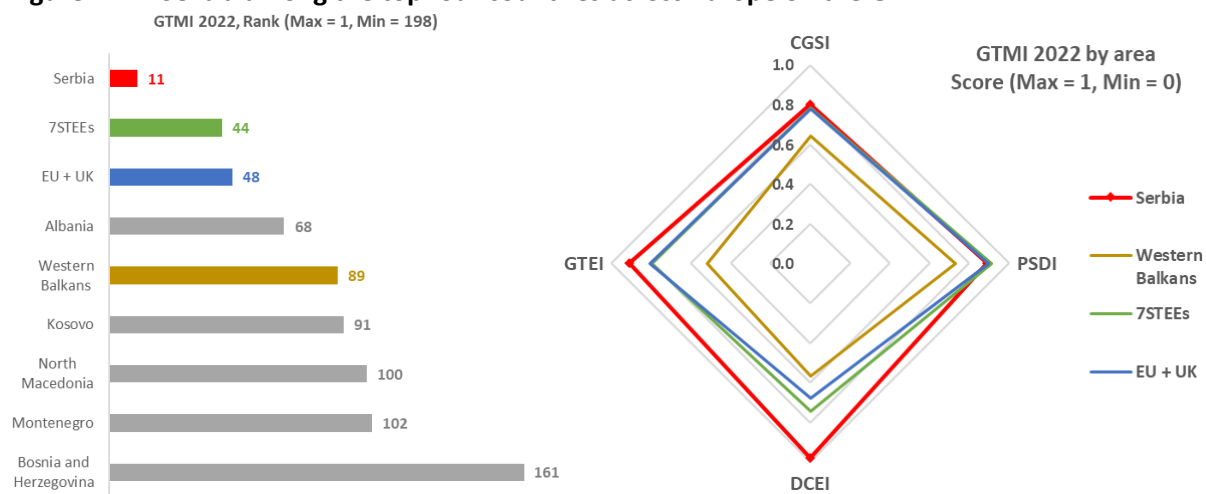
38. Just behind Estonia, France and Lithuania, Serbia outperforms the rest of countries from Western and Eastern Europe in the GovTech Maturity Index (GTMI). In December 2022, the World Bank launched the second edition of the GTMI.¹⁰⁹ The Index measures aspects that enhance Public Service Delivery (PSDI), Core Government Systems (CGSI), Digital Citizen Engagement (DCEI), and GovTech Enablers (GTEI).¹¹⁰ The GTMI classifies 198 countries into four different groups based on their maturity on the use of technologies and technological advancement on the delivery of public services. Group A corresponds to a “Very high” maturity level, Group B to “High”, Group C to “Medium”, and Group

¹⁰⁹ World Bank. 2022. *GovTech Maturity Index 2022: Trends in Public Sector Digital Transformation*. Washington, D.C.: World Bank Group.

¹¹⁰ World Bank. GovTech emphasizes three aspects of public sector modernization: i) citizen-centric public services that are universally accessible; ii) a whole-of-government approach to digital government transformation; and iii) simple, efficient and transparent government systems. See <https://www.worldbank.org/en/programs/govtech>.

D to “Low” maturity.¹¹¹ Serbia ranks 11th out of 198 countries and is classified as Group A (Figure II.2.1).

Figure II.2.1 Serbia among the top four countries across Europe on the GTMI



Source: World Bank.

39. Between 2015-2020, through the Public Administration Reform Strategy (PARS), the GoS introduced the streamlining of different governmental functions, digitalization processes, and electronic services (eServices).¹¹² Also, in 2017 the Office of Information Technology and e-Government (OITeG) was created under the Prime Minister’s Office to provide coherence and leadership in the implementation of e-government reforms. More recently, by February 2022 the GoS adopted secondary regulation related to the Law on e-Government. Additionally, as part of the e-Paper Program 2019-2021, 311 administrative procedures were simplified and 64 were digitized.¹¹³ Serbian SMEs have reported to the WB that eGov initiatives implemented by the GoS in recent years have significantly impacted businesses’ day-to-day operations, making easier the access to public authorities and services.¹¹⁴

40. Despite this progress, the Serbian eGov is still characterized by limited data exchange across existing registries and lack of platforms’ interoperability. Different electronic portals are not interconnected and are mostly informational and not transactional.¹¹⁵ eServices such as the Government e-portal, the Government Service Bus (GSB), digital signatures, and electronic payment (ePayment) of administrative fees are the result of sectoral initiatives and not part of a coherent and coordinated reform strategy. Also, the digitalization of different public services was done without a common methodology limiting the opportunity for scalability and rollout to other services.¹¹⁶ SMEs indicate that public services will not be fully digital until electronic archiving (eArchive) is implemented.¹¹⁷ They have also reported that ePayment for public services are enabled for citizens, however this is not

¹¹¹ Group A: GovTech leaders demonstrating advanced or innovative solutions and good practices in all four focus areas; Group B: Governments with significant GovTech investments and good practices in most of the focus areas; Group C: Governments with ongoing activities to improve some of the GovTech focus areas; and Group D: Governments with minimal focus on GovTech initiatives.

¹¹² World Bank. 2020. *Op. cit.*

¹¹³ European Commission. 2022. *Op. cit.*

¹¹⁴ World Bank. 2022. “Validation” *Op. cit.*

¹¹⁵ World Bank. 2018. “Project Concept Note: Enabling Digital Governance in Serbia (P164824).” Washington, D.C.: World Bank Group.

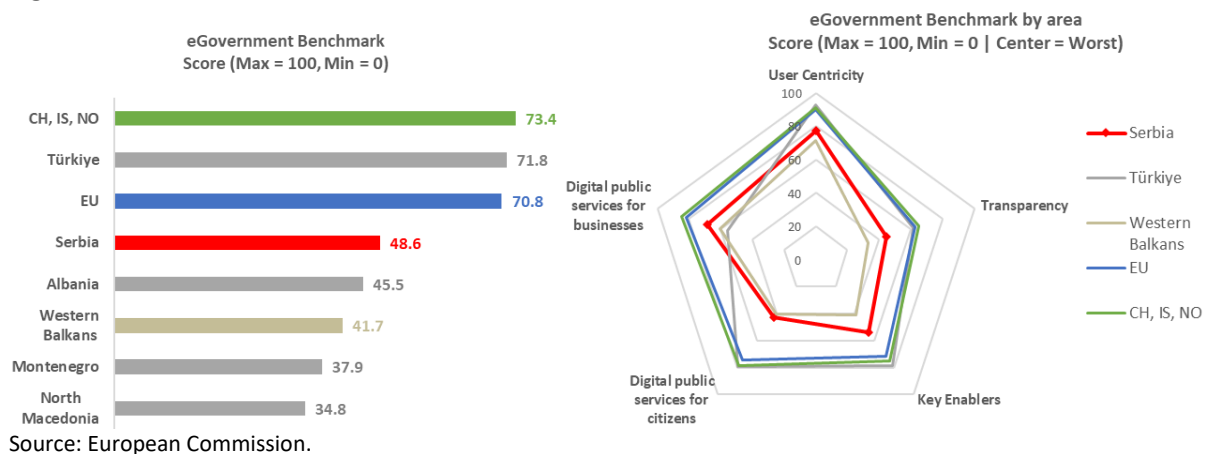
¹¹⁶ *Ibidem.*

¹¹⁷ World Bank. 2022. “Validation” *Op. cit.*

straight forward for companies since public agencies request documentation to prove that the payment was done from the bank account of the legal entity.¹¹⁸ Access to eServices is affected when these are provided with poor quality, consistency, and attention to service standards. When registries and information data bases are highly fragmented, eServices end-up being inefficient, imposing additional burdens to citizens and businesses.

- 41. Several international benchmarks show different degrees of digitalization for Serbia.** The eGovernment Benchmark 2022 measures the 27 EU member states plus Albania, Iceland (IS), Montenegro, North Macedonia, Norway (NO), Serbia, Switzerland (CH), and Türkiye.¹¹⁹ Serbia scores 48.6 points out of 100, with relatively low performance in the areas of Transparency and Digital public services for citizens (Figure II.2.2). Similarly, Serbia ranks 40th out of 193 in the UN E-Government Survey 2022.¹²⁰ In recent years the private sector and public officials have indicated challenges on reforms' implementation, especially with the digitization of several government services such as electronic signatures (eSignatures), construction permitting or tax administration.¹²¹

Figure II.2.2 eGovernment Benchmark 2022



ICT Skills ●

- 42. Challenges on the development of the digital economy are related to demand for ICTs and digital services, as well as supply of reliable telecommunication services.** Among other sociodemographic and economic aspects, low or suboptimal use of ICTs and Internet could be partially explained by lack of skills and trust from consumers (demand side), as well as insufficient telecommunications infrastructure (supply side).
- 43. On the demand side, even if eGov platforms are introduced to provide online public services and digital governance policies are implemented to incentivize electronic commerce (eCommerce), part of the population can be deprived from the benefits a digital environment offers due to lack of ICT skills.** Based on information provided by the OITeG, in 2018 two out of ten Serbian adults have never used the Internet and the proportion is bigger in the rural areas.¹²²

¹¹⁸ World Bank. 2022. "Appendices" *Op. cit.*

¹¹⁹ European Commission. 2022. *eGovernment Benchmark 2022: Synchronising Digital Governments*. Brussels: European Commission.

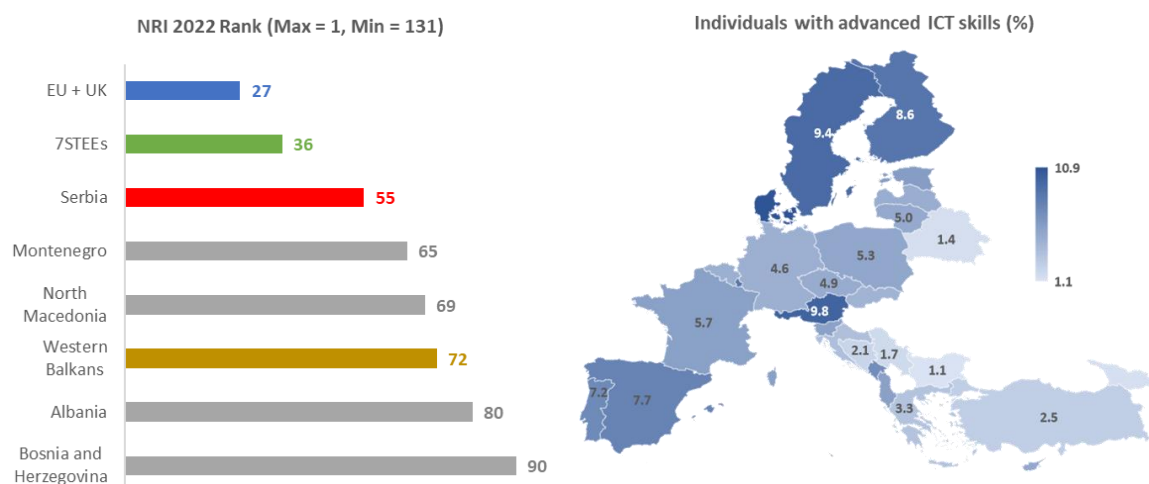
¹²⁰ United Nations. 2022. *E-Government Survey 2022: The Future of Digital Government*. New York City: United Nations.

¹²¹ U.S. Department of State. 2022. *Op. cit.*

¹²² World Bank. 2018. *Op. cit.*

44. The Portulans Institute’s Network Readiness Index (NRI) measures the application and impact of ICTs. Serbia ranks 55th out of 131 in the NRI 2022 (Figure II.2.3, left).¹²³ Also, Serbia ranks 77th out of 141 countries in the ICT adoption pillar (digital skills among active population) from the WEF’s GCI.¹²⁴ In addition, the International Telecommunication Union (ITU) reports that in Serbia, on average around 55% of individuals had some sort of ICT skills in 2021. Of this percentage, 49% reported standard skills and 61% basic skills. Nevertheless, only 1.7% had advanced skills, one of the lowest in the ECA region and the lowest from its Western Balkans peers (Figure II.2.3, right).¹²⁵ Aiming to improve the citizens and public officials’ digital skills, different agencies of the GoS issued in 2021 the “Strategy for the Development of the Information Society and Information Security 2021-2026.”¹²⁶ During workshops organized by the WB during 2022, SMEs showed interest on receiving trainings on electronic business, especially in small locations, where usually these type of programs are not delivered.¹²⁷

Figure II.2.3 NRI 2022 ranking and percentage of individuals with advanced ICT skills across Europe (2021)



Source: Portulans Institute (left) and ITU (right).

Note: NRI 2022: ITU: Data not available for all countries from the ECA and EU regions.

Internet Use ●

45. Fixed and mobile broadband penetration plays an important role in the adoption of eGov practices and in the development of the digital economy. Based on the latest data from the ITU, Serbia has 102 active mobile-broadband subscriptions per 100 inhabitants in 2021. Although this figure may be considered as high, the EU+UK average is 113, while the 7STEEs average is 117(Figure II.2.4, left).¹²⁸ When it comes to fixed broadband, Serbia’s penetration level is 26 subscriptions per 100 inhabitants,

¹²³ Portulans Institute. 2022. *The Network Readiness Index 2022: Stepping into the new digital era, how and why digital natives will change the world*. Washington, D.C.: Portulans Institute.

¹²⁴ Global Competitiveness Index database.

¹²⁵ *Basic skills*: the highest value among the following four computer-based activities: copying or moving a file or folder; using copy and paste tools to duplicate or move information within a document; sending e-mails with attached files; and transferring files between a computer and other devices. *Standard skills*: the highest value among the following four computer-based activities: using basic arithmetic formula in a spreadsheet; connecting and installing new devices; creating electronic presentations with presentation software; and finding, downloading, installing and configuring software. *Advanced skills*: the value for writing a computer program using a specialized programming language.

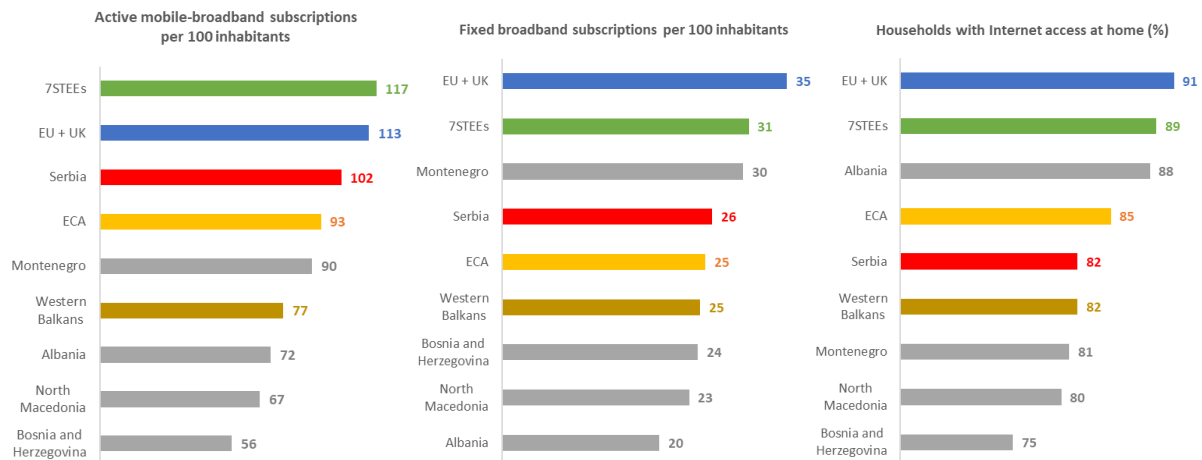
¹²⁶ National Alliance for Local Economic Development. 2022. “III Quarterly”. *Op. cit.*

¹²⁷ World Bank. 2022. “Appendices” *Op. cit.*

¹²⁸ ITU database. See: <https://www.itu.int/itu-d/sites/statistics/>.

slightly above the Western Balkans average, but below the 7STEEs and EU+UK averages (Figure II.2.4, center). It is important to highlight that more than 97% of these fixed broadband subscriptions in Serbia have a speed above 10 Mbit/s, while for example in Croatia this is 86%. Additionally, 82% of households in Serbia have access to the Internet, while in the EU+UK region this figure is almost 91% (Figure II.2.4, right).¹²⁹

Figure II.2.4 Mobile and fixed broadband penetration rates across Europe (2021)



Source: ITU.

Note: North Macedonia data on households with Internet access is from 2020. ECA region excludes OECD high income countries.

46. There is still a gender gap on Internet access in Serbia. In 2021, 81% of Serbian individuals had access to the Internet.¹³⁰ However, while this figure was 84% for male Internet users, it was 79% for female. There are also generational differences.¹³¹ While 100% of population between 15-24 years reported to use the Internet, this percentage falls to 75% for the population between 25-74 years.¹³²

Telecom Infrastructure ●

47. From the supply side, to have effective competition and affordable services, regulatory telecommunication (telecom) policies should foster infrastructure deployment, as well as enough radiofrequency spectrum allocation that extends coverage and enables 4G/5G mobile networks. During June 2021 and June 2022, it took place the first phase of the ultra-fast broadband communication infrastructure roll-out for rural areas in Serbia.¹³³ Additionally, it was implemented the Western Balkans Regional Roaming Agreement and abolition of roaming charges entered into force in July 2021.¹³⁴

48. The GSMA's Mobility Connectivity Index (MCI) evaluates key enablers of mobile Internet adoption.¹³⁵ One of the four dimensions included in the MCI is the "Infrastructure" Enabler, which assesses different aspects such as network coverage and performance, as well as spectrum allocated

¹²⁹ *Ibidem*.

¹³⁰ Internet users are persons aged 15-74.

¹³¹ Data by age from 2020.

¹³² ITU database.

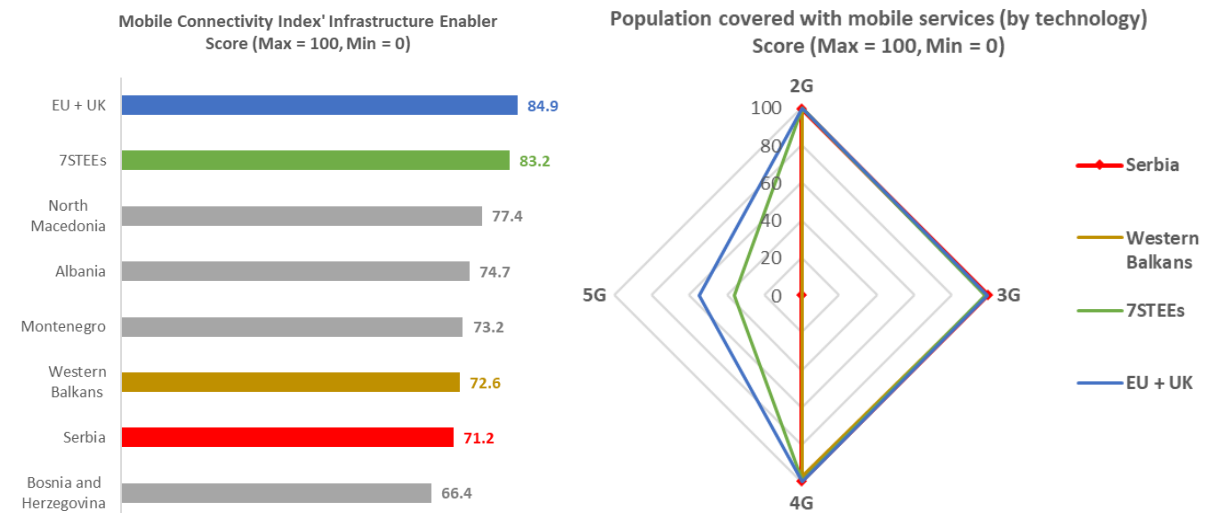
¹³³ The initiative aims to connect around 90,000 households and 600 schools with fast broadband.

¹³⁴ European Commission. 2022. *Op. cit.*

¹³⁵ GSMA Mobile Connectivity Index. See: <https://www.mobileconnectivityindex.com/>.

for mobile telecom services. In this area, Serbia scores 71.2 out of 100 points, only above Bosnia and Herzegovina from the Western Balkans region (Figure II.2.5, left). Specifically, regarding mobile network coverage, while Serbia's score on mobile services over 4G technology (as well as over 2G and 3G) is 99 out of 100, for 5G mobile services the score is zero. Actually, this situation is the same for all Western Balkans countries. Conversely, the 5G average score across the 7STEEs countries is 36 out of 100 points and 55 points on average for the EU+UK. However, countries such as Malta, Cyprus, Italy, Germany, and Denmark have a 5G population coverage score of more than 90. From the 7STEEs group, Croatia's score is 78 and Bulgaria's is 58 points (Figure II.2.5, right).

Figure II.2.5 Telecom infrastructure and mobile network coverage in Europe (2021)



Source: GSMA.

Telecom services' affordability ●

49. Usually, lack of competition translates into high prices and low quality of good and services. Several barriers to competition in the telecom sector have been identified in Serbia. For instance, regulations to solve the technical challenges of fixed number portability have not been issued; radioelectric spectrum trading is prohibited; and access to essential facilities (particularly the use of cable ducts and optical and dark fibers) is limited to non-incumbent operators.¹³⁶ The European Commission reports that in order to align the Serbian legal framework to the European Electronic Communications Code, work on the drafting of the new Law on Electronic Communications continues.¹³⁷

50. Although in 2019 mobile services prices decreased since the Serbian Regulatory Agency for Electronic Communications and Postal Services (RATEL) updated its cost model to define termination rates, Serbian telecom services' prices are not the lowest across the region. Measured as a percentage of the Gross National Income per capita (GNI p.c.), cost of Serbian fixed broadband services in 2020 represented 2.7% of GNI p.c., the second most expensive across the Western Balkans, just below North Macedonia (Figure II.2.6, left).¹³⁸ For mobile broadband services, Serbian prices were

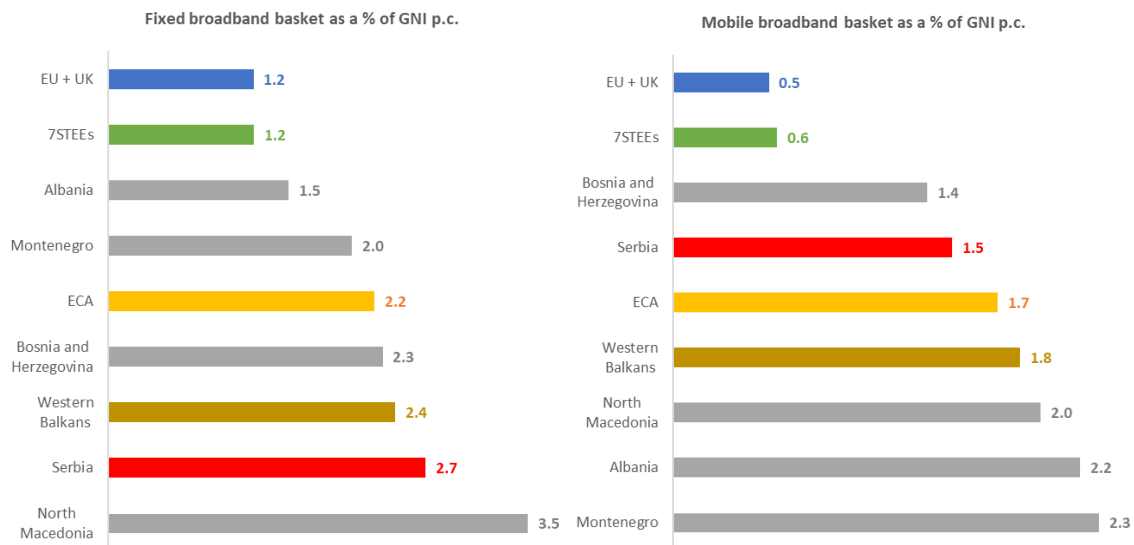
¹³⁶ World Bank. 2019. *Serbia's New Growth Agenda: Removing*. Op. cit.

¹³⁷ European Commission. 2022. Op. cit.

¹³⁸ ITU database. Fixed broadband prices are estimated on the cheapest plan on the basis of a 5GB monthly usage and an advertised download speed of at least 256 kbit/s. Prices as a percent of monthly GNI per capita.

below the ECA and Western Balkans regions, but still represented three times more than what consumers pay in the EU+UK (Figure II.2.6).¹³⁹

Figure II.2.6 Prices levels for fixed and mobile broadband services across Europe (2020)



Source: ITU.

Note: ECA region excludes OECD high income countries.

51. Beyond the price of broadband services, another barrier to Internet access is the cost of equipment (e.g., smartphone, tablet, laptop or personal computer).¹⁴⁰ In 2018, the ITU’s Measuring the Information Society Report found that around 10% of Serbian households did not have Internet because the cost of the equipment was too high, positioning Serbia among the 15 most costly countries, together with Croatia, Bulgaria, Hungary, Romania, and Portugal from the Europe region.¹⁴¹ More recent data from GSMA gives Serbia a score of 56 out of 100 points on headsets’ price, and although this score is higher than all Western Balkans countries, except from Croatia and Romania, it underperforms the rest of EU countries.¹⁴²

Intellectual Property Rights ●

52. Furthermore, intellectual property rights (IPR), especially of copyrights and patents, are key to promote investment in the digital services sector. Since 1992, Serbia has been a signatory of the World Intellectual Property Rights Organization (WIPO) treaties.¹⁴³ Relevant legislation includes the Law on Copyright and Related Rights (last amendment in 2019),¹⁴⁴ the Law on Patents (last amendment in 2019),¹⁴⁵ Law on Trademarks from 2020,¹⁴⁶ as well as the new Law on the Protection

¹³⁹ ITU database. Mobile broadband prices refer to a mobile-data basket of 1.5 GB (for 3G network and above without voice service). Prices as a percent of monthly GNI per capita.

¹⁴⁰ International Telecommunications Union. 2018. *Measuring the Information Society Report 2018*. Geneva: ITU.

¹⁴¹ ITU database.

¹⁴² GSMA Mobile Connectivity Index.

¹⁴³ WIPO. See: <https://www.wipo.int/wipolex/en/treaties/ShowResults?code=RS>.

¹⁴⁴ Official Gazette of the Republic of Serbia 66/2019.

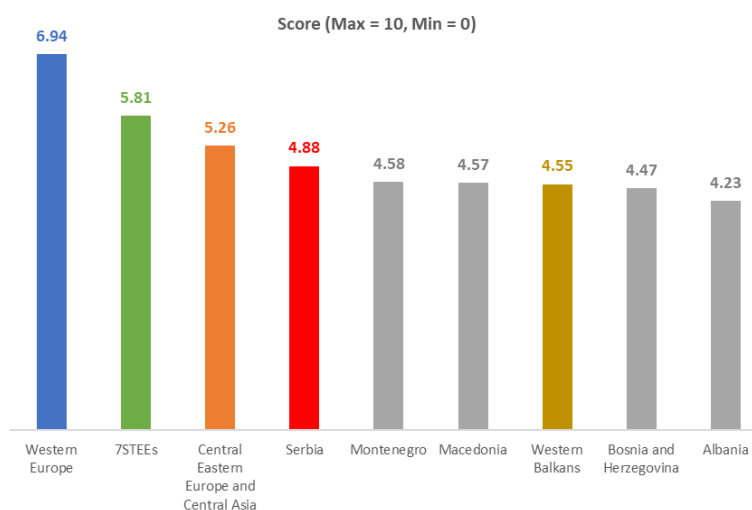
¹⁴⁵ Official Gazette of the Republic of Serbia 66/2019. The amendments introduced changes to the regulation of supplementary protection certificates and protection of inventions by petty patents, with the objective to increase the number of applications contributing to local entities’ competitiveness in the domestic and foreign markets, as well as to be aligned with the EU standards.

¹⁴⁶ Official Gazette of the Republic of Serbia 6/2020. Among other aspects, the amendment introduced a trademark opposition system in order to align Serbian legislation to EU standards.

of Trade Secrets from 2021.¹⁴⁷ The United States (U.S.) Department of State reports that Serbian IPR legal framework is modern and in line with the EU and international standards.¹⁴⁸ For instance, industrial property rights and authorship registration procedures at the Serbian Intellectual Property Office are straightforward.¹⁴⁹

53. Based on information from the WEF’s GCI database, the number of patent applications for Serbia in 2019 was 22.9 per million population. This number was on average 13 in the Western Balkans and 45.5 across the 7STEEs countries. In addition, Serbian trademark applications were 70.5 per million population, above the Western Balkans average (68.3) but again, below the 7STEEs average (89.7).¹⁵⁰ For example, the number of patents filed by Serbia between 2012 and 2021 were 2,784,¹⁵¹ similar to Croatia (2,882).¹⁵² However, while Serbian filed trademarks were 124,541, Croatia filed 205, 472 during the same period. Serbia scores 4.88 points out of 10 in the Intellectual Property Rights component included in the International Property Rights Index (IPRI) 2022 (Figure II.2.7).¹⁵³

Figure II.2.7 Regional Performance in the IPRI’s Intellectual Property Rights component (2022)



Source: Property Rights Alliance.

Electronic Commerce and Cybersecurity & Data Protection ●

54. In 2019, more than 79% Serbian companies had their own website.¹⁵⁴ But this percentage varies depending on the company’s size. While almost 92% of large firms had their website, this number was 86% for medium companies and 74% for small businesses. Regional variations are also observed: Vojvodina (86.5%), Belgrade (81.5%), and South Serbia (71.4%). Based on UNCTAD’s B2C E-Commerce Index 2020, Serbia ranks 43rd out of 152, outperforming all its Western Balkans peers but behind most of the 7STEEs countries.¹⁵⁵

¹⁴⁷ Official Gazette of the Republic of Serbia 53/2021. Among other aspects, the new law introduces a more precise definition of a trade secret and the scope of judicial protection.

¹⁴⁸ U.S. Department of State. 2022. *Op. cit.*

¹⁴⁹ Intellectual Property Office of the Republic of Serbia. See: <https://www.zis.gov.rs/en/home/>.

¹⁵⁰ Global Competitiveness Index database.

¹⁵¹ WIPO. See: https://www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp?code=RS.

¹⁵² WIPO. See: https://www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp?code=HR.

¹⁵³ Property Rights Alliance. 2022. *International Property Rights Index 2022*.

¹⁵⁴ World Bank. 2019. “Enterprise Surveys.” *Op. cit.*

¹⁵⁵ UNCTAD. 2020. “The UNCTAD B2C E-Commerce Index 2020.” UNCTAD Technical Notes on ICT for Development No. 17. Geneva: UNCTAD.

- 55. Users of digital services are more protected with a legal framework for data protection and cybersecurity.** In 2020, NALED found that only 19% of Serbian local governments had an act on information security and apply it consistently, while 46% have it, but do not have control mechanisms for its application.¹⁵⁶ As part of the Serbian Strategy Against Cybercrime 2019-2023, between June 2021 and June 2022 staff from the Office of the Special Prosecutor for Cybercrime received training to strengthen its operational capacity. However, additional staff is needed to investigate abuses on credit card, eCommerce, and electronic banking (eBanking).¹⁵⁷ Later, in August 2022 the Decree on unique scientific and technological requirements and procedures for the storage and protection of archival material and documentary material in electronic form was amended,¹⁵⁸ with the objective of regulating a single archival information platform, which will provide guidelines to public agencies reliable ways of archiving and storage electronic.¹⁵⁹
- 56. The ITU published in 2021 the 4th edition of the Global Cybersecurity Index 2020.**¹⁶⁰ Out of 182 countries, Serbia is in the 39th position, just behind North Macedonia (38th) from the Western Balkans, but behind most of the 7STEEs countries. Also, the National Cyber Security Index (NCSI) measures security capacities implemented by central governments. Serbia's position in the NCSI is 19th out of 161 countries, just behind Lithuania (2nd), Estonia (4th), Croatia (16th), and Slovak Republic (17th) from the 7STEEs countries.¹⁶¹ However, Serbian SMEs have reported that they perceive that the use of government apps in mobile devices is insecure, specifically in regards data protection.¹⁶²

Digital Business Models' Adoption ●

- 57. Reforms are needed to encourage the adoption of digital business models in the public and private sectors, particularly in light of the COVID-19 crisis.** The crisis has accelerated the need for efficient digital services at all levels, including Government-to-Business (G2B), Government-to-Citizen (G2C), Business-to-Business (B2B), and Business-to-Consumers (B2C). Serbia ranks 76th out of 141 in the "Future orientation of government" indicator and 68th in the "Legal framework's adaptability to digital business models" indicator from the WEF's GCI (Figure II.2.8).¹⁶³
- 58. Based on econometric models, the ITU has found evidence showing that a country's digital economy is critical for economic growth and job creation.**¹⁶⁴ To boost the digitization of public institutions and the private sector, the digital divide should be closed through a combination of educational programs, digital inclusion policies and awareness campaigns aiming to increase digital skills of the population; together with regulatory policies that incentivize investment in infrastructure and level the playing field in the telecom sector to increase access to affordable digital services and platforms.

¹⁵⁶ National Alliance for Local Economic Development. 2020. *Analysis of Local Governments' Information Systems*. Belgrade: NALED.

¹⁵⁷ European Commission. 2022. *Op. cit.*

¹⁵⁸ Official Gazette of the Republic of Serbia 94/2022.

¹⁵⁹ National Alliance for Local Economic Development. 2022. "III Quarterly". *Op. cit.*

¹⁶⁰ International Telecommunication Union. 2021. *Global Cybersecurity Index 2020: Measuring commitment to cybersecurity*. Geneva: ITU.

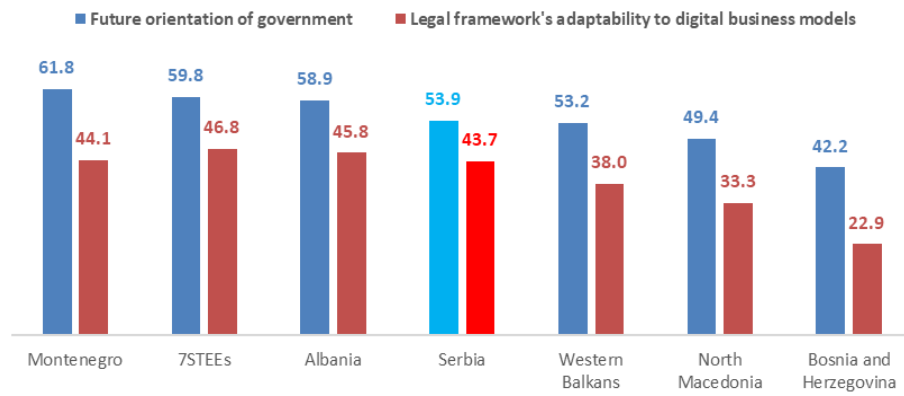
¹⁶¹ e-governance Academy. See: <https://ncsi.ega.ee/ncsi-index/?order=rank>.

¹⁶² World Bank. 2022. "Appendices" *Op. cit.*

¹⁶³ Global Competitiveness Index database.

¹⁶⁴ ITU's G5 Benchmark. For more information see: <https://app.gen5.digital/benchmark/metrics>.

Figure II.2.8 Government's future orientation and adaptability to digital business models
GCI 2019: Selected indicators on eGov
Score (Max = 100, Min = 0)



Source: WEF.

III. Firm's Life Cycle

59. Sound business regulations, policies, and related institutions that facilitate new entry, growth, and exit create a level playing field for all market actors and promote dynamic contestable markets. At the same time and as described above, the rule of law, strong institutions, and secure contractual and property rights encourage investment. Institutions and regulations that govern business operations can support firm growth and internationalization by creating a predictable operating environment with minimum regulatory compliance costs for businesses. This section assesses different factors that affect the business environment in Serbia across the main milestones of firm's life cycle: i) Entry and Exit; ii) Getting a Location; and iii) Operations and Expansion.

III.1 Entry & Exit

60. Besides promoting market contestability, efficient entry and exit regulations foster effective resource allocation to productive firms and sectors. Section III.1 covers the areas of business entry, some aspects that are considered barriers to entry (e.g., licensing and inspection regimes), as well as closing a business in Serbia.

Business Entry ●

61. Regulatory barriers and high administrative costs have been identified as a binding constraint for new firms to enter and for existing firms to grow, limiting the private sector demand for labor and job creation.¹⁶⁵ Higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.¹⁶⁶ Similarly, higher compliance costs cut into firm profits and discourage entrepreneurs, which in turn also reduces job creation.¹⁶⁷ Furthermore, research shows that economies with cumbersome regulations and administrative procedures for starting a business are not only associated with fewer legally registered firms and greater informality, but also with a smaller tax base and more opportunities for corruption compared to economies with more efficient regulations.¹⁶⁸

62. In contrast, efficient and effective business regulations support firm creation and productivity. Empirical evidence suggests that faster business registration is associated with more businesses registering in industries with the strongest potential for growth, such as those experiencing expansionary global demand or technology shifts.¹⁶⁹ Furthermore, administrative procedures, days, and costs required to start a business are important predictors of the number of new firm registrations.¹⁷⁰ Empirical evidence also suggests that more efficient business entry regulations improve firm productivity and macroeconomic performance.¹⁷¹ Economies that have efficient

¹⁶⁵ Barseghyan, Levon. 2008. "Entry Costs and Cross-Country Differences in Productivity and Output." *Journal of Economic Growth* 13 (2): 145-67.

¹⁶⁶ Barseghyan, Levon, and Riccardo DiCecio. 2009. "Entry Costs, Industry Structure and Cross-Country Income and TFP Differences." *Working Paper 2009-005C*, Federal Reserve Bank of St. Louis.

¹⁶⁷ Fonseca, Raquel, Paloma Lopez-Garcia, and Christopher Pissarides. 2001. "Entrepreneurship, Start-Up Costs and Employment." *European Economic Review* 45 (4-6): 692-705.

¹⁶⁸ Audretsch, David, Max Keilbach, and Erik Lehmann. 2006. *Entrepreneurship and Economic Growth*. New York: Oxford University Press.

¹⁶⁹ Ciccone, Antonio, and Elias Papaioannou. 2007. "Red Tape and Delayed Entry." *Journal of the European Economic Association* 5(2-3): 444-58.

¹⁷⁰ Klapper, Leora, and Inessa Love. 2019. "The Impact of Business Environment Reform on New Firm Registration." Policy Research Working Paper 5493. Washington, D.C.: World Bank.

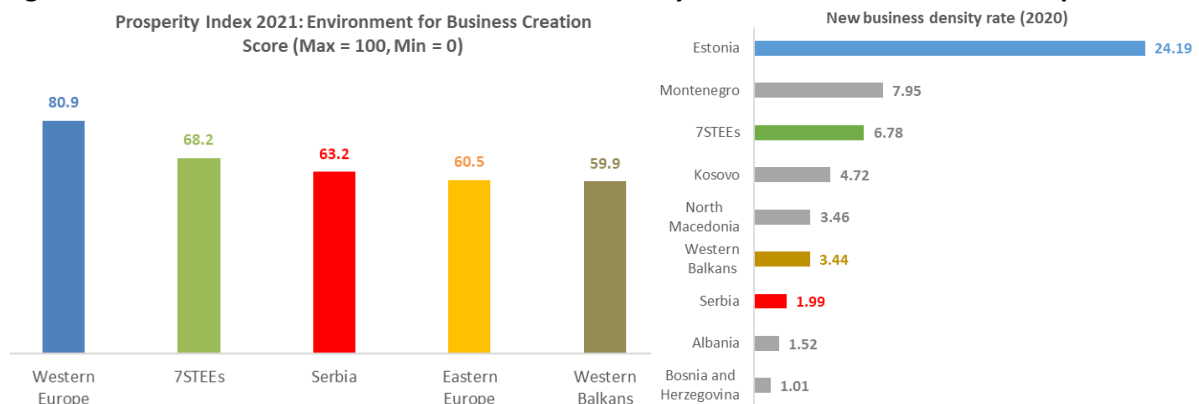
¹⁷¹ Loayza, Norman, Ana Maria Oviedo, and Luis Servén. 2005. "Regulation and Macroeconomic Performance." Policy Research Working Paper 3469. Washington, D.C.: World Bank; Barseghyan, Levon. 2008. "Entry Costs and Cross-Country Differences in Productivity and Output." *Journal of Economic Growth* 13 (2): 145-67.

business registration processes tend to have a higher entry rate by new firms and greater business density.¹⁷²

63. Serbian SMEs report that business registration has become quite simple.¹⁷³ However, based on the latest data collected by DB, in 2020 an entrepreneur still had to go through seven different procedures and wait seven days to register a limited liability company (LLC) in Serbia. In economies such as Albania, Estonia, Kosovo, Latvia or Lithuania, an LLC can be registered in no more than five steps and five and half days. Serbia ranks 73rd out of 190 countries in the DB’s Starting a Business indicator.¹⁷⁴

64. Although Serbia’s level of business creation environment is higher than the average levels from Eastern Europe and the Western Balkans, is still lagging behind Western Europe and the 7STEEs (Figure III.1.1, left). For example, when registration reforms decrease on average at least 40% of company registration procedures, or at least 50% reduction in costs and days, an increase in the number of firm registrations is observed.¹⁷⁵ In 2020, Serbia reported one of the lowest new business density rates of the region, just above Albania and Bosnia and Herzegovina (Figure III.1.1, right).¹⁷⁶ In November 2021, amendments to the Serbian Company Law introduced changes to LLCs and Joint Stock Companies (JSC) on, among other aspects, companies’ governance.¹⁷⁷ However, private sector’s professionals have raised concerns that some of these changes introduce confusing provisions regarding third parties becoming shareholders in an LLC and on the nullity of the share transfer agreement.¹⁷⁸

Figure III.1.1 Business creation environment and density rate for new firms across Europe



Source: Legatum Institute (left) and World Bank (right).

65. Serbia has low levels of entrepreneurial activity and businesses growth expectations. Estimates from the Global Entrepreneurship Monitor (GEM) indicate that Serbia has a “Total early-stage Entrepreneurial Activity” (TEA)¹⁷⁹ of less than 5%.¹⁸⁰ This is lower than the average TEA across the

¹⁷² Klapper, Leora, Anat Lewin, and Juan Manuel Quesada Delgado. 2009. “The Impact of the Business Environment on the Business Creation Process.” Policy Research Working Paper 4937, World Bank, Washington, DC.

¹⁷³ World Bank. 2022. “Validation” *Op. cit.*

¹⁷⁴ *Doing Business* database.

¹⁷⁵ Klapper, Leora, and Inessa Love. 2014. “The Impact of Business Environment Reforms on New Registrations of Limited Liability Companies”. *The World Bank Economic Review*, Volume 30, Issue 2, 2016, pages 332–353.

¹⁷⁶ World Bank’s Entrepreneurship database. See: <https://www.worldbank.org/en/programs/entrepreneurship>.

¹⁷⁷ Official Gazette of the Republic of Serbia 109/2021.

¹⁷⁸ Karnovic & Partners. 2022. “2021 Amendments to the Company Law.” January 2022. See: <https://www.karanovicpartners.com/news/another-amendment-to-the-company-law/>.

¹⁷⁹ The TEA refers to the percentage of 18-64 population who are either a nascent entrepreneur or owner-manager of a new business.

¹⁸⁰ Global Entrepreneurship Monitor. 2022. *2021/2022 Global Report: Opportunity Amid Disruption*. London: GEM.

Western Balkans (6.8%) and 7STEEs (11%), while in Montenegro is almost 15%.¹⁸¹ When it comes to growth expectations, less than 16% of early-stage entrepreneurs expect to create six or more jobs in five years in Serbia, below the average percentage for the Western Balkans (18%) and the 7STEEs (20%), but almost half of Montenegro (27%) or North Macedonia (30%).¹⁸² Moreover, the GCI's "Entrepreneurial culture" sub-pillar ranks Serbia 92nd out of 141.¹⁸³

66. Since the mid-2000s, Serbia initiated reforms to streamline and facilitate the registration of businesses. Among other aspects, the Company Law from 2004 created the Serbian Business Registry Agency (SBRA).¹⁸⁴ Later in 2009, the SBRA's platform allowed for online registration, significantly reducing the steps, time, and cost of starting a business. Currently, the SBRA hosts 24 electronic registries related to businesses.¹⁸⁵ The 2021 amendments of the Company Law oblige all companies to register through the eGov services portal, allowing electronic administrative procedures and communication across different governmental agencies.¹⁸⁶

67. Online business registration relies mainly on installed infrastructure. According to DB data on the quality of the company registration system and company registries across 190 economies,¹⁸⁷ there are nine aspects that focus on the company registries' infrastructure quality, such as the existence of a centralized business registry with full national coverage or whether all company records are stored in digital form.¹⁸⁸ Serbia has a positive score in five out of these nine aspects related to the infrastructure quality of its company registry.¹⁸⁹ Only 20 economies out of 190 score the nine points, and almost half of them are European: Estonia, Greece, Hungary, Latvia, Lithuania, Luxembourg, North Macedonia, Romania, and Spain. Evidence shows a positive correlation between strong infrastructure quality of company registries and the DB's ease of starting a business. On average, the Western Balkans get 6 points, ECA region (excluding high-income) 6.2, and the 7STEEs 7.4 (Figure III.1.3).

68. Research indicates that the implementation of a reform on quick businesses start-up for micro and SMEs with low-risk activities in Mexico, increased the number of registered businesses by 5% and employment by 2.8% in eligible industries. Moreover, competition from new entrants lowered prices by 0.6%.¹⁹⁰ Although significant improvements on business registration and start of operations have been made, the reform process should continue. NALED has identified areas where reforms are pending. These recommendations involve the Ministries of Finance; Economy; and Labor,

¹⁸¹ GEM's Adult Population Survey captures both informal and formal activity, moving beyond a reliance on business registrations which explain only a small proportion of entrepreneurship in many societies.

¹⁸² GEM database. Data for the 7STEEs from 2021, except for Bulgaria (2018), Estonia (2017), and Lithuania (2014). Data for the Western Balkans from 2009-2019. Data for Albania not available.

¹⁸³ Global Competitiveness Index database.

¹⁸⁴ Official Gazette of the Republic of Serbia 125/04.

¹⁸⁵ SBRA. See: <https://apr.gov.rs/>.

¹⁸⁶ National Alliance for Local Economic Development. 2022. *Grey Book 14*. Belgrade: NALED.

¹⁸⁷ See <https://www.doingbusiness.org/en/data/exploretopics/starting-a-business/other-resources>.

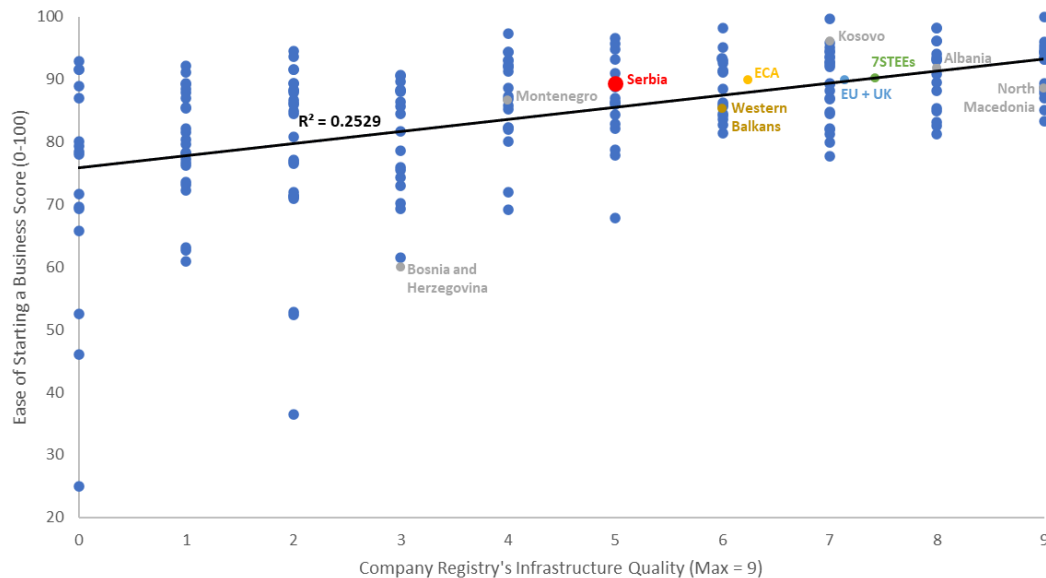
¹⁸⁸ The nine aspects refer to whether the company registration system counts with: i) a centralized business registry with full national coverage, ii) all company records are stored in digital form, iii) an electronic database to search all company records, iv) an electronic system that covers the entire company registration process, v) a fully electronic filling of changes of ownership, vi) an electronic payment for all fees related to company incorporation, vii) an electronic signature or another electronic form of authentication (with relevant legal framework) used for online company registration, viii) an electronic exchange between the registry and agencies, and ix) a UBI for all companies used by all government agencies.

¹⁸⁹ As measured by *Doing Business*, the four aspects Serbia still misses are: an electronic system that covers the entire company registration process; a fully electronic filling of changes of ownership; an electronic payment for all fees related to company incorporation; and an electronic signature or another electronic form of authentication (with relevant legal framework) used for online company registration.

¹⁹⁰ Bruhn, Miriam. 2008. "License to Sell: The Effect of Business Registration Reform on Entrepreneurial Activity in Mexico". Policy Research Working Paper No. 4538. Washington, D.C.: World Bank.

Employment, Veterans and Social Affairs. For example, in order to decrease the tax and non-tax burden on new entrepreneurs, the GoS should explore exemption of some taxes and social contributions for start-up businesses. Other recommendations include centralization of records by the SBRA, as well as amendments to different laws, such as to the Law on Central Register of Beneficial Owners, the Labor Law to introduce more flexible forms of employment of workers to adapt to the nowadays labor market needs, and to the Law on Chambers of Commerce to eliminate the Chamber of Commerce membership requirement.¹⁹¹

Figure III.1.3 Correlation between company registries' infrastructure quality and the ease of starting a business



Source: *Doing Business* database.

Note: ECA region excludes OECD high income countries.

Business closure ●¹⁹² **and insolvency proceedings** ●

69. Efficient and effective exit mechanisms ensure that non-viable firms exit the market while more productive firms thrive and compete. Business exit reforms contribute to within-industry productivity and job creation growth by reallocating resources—such as labor, assets, and capital—from low-growth firms to high-growth young firms. Additionally, sound insolvency systems also support entrepreneurship by lowering the risks to start a business. Together, effective entry and exit regulations can foster competition among incumbent firms and shape incentives to invest and innovate. On the other hand, barriers to firm exit, such as weak or missing insolvency provisions or inefficient liquidation procedures, delay or prevent non-viable businesses from closing operations.

70. A well-functioning insolvency framework is essential for the healthy circulation of credit. Indeed, where insolvency regimes are effective, creditors are more likely to lend, both in higher volumes and at lower interest rates, because they are more likely to recover their loans. Predictable insolvency frameworks contribute to financial stability, new investment flows and ultimately to broader and

¹⁹¹ National Alliance for Local Economic Development. 2022. *Grey Book. Op. cit.*

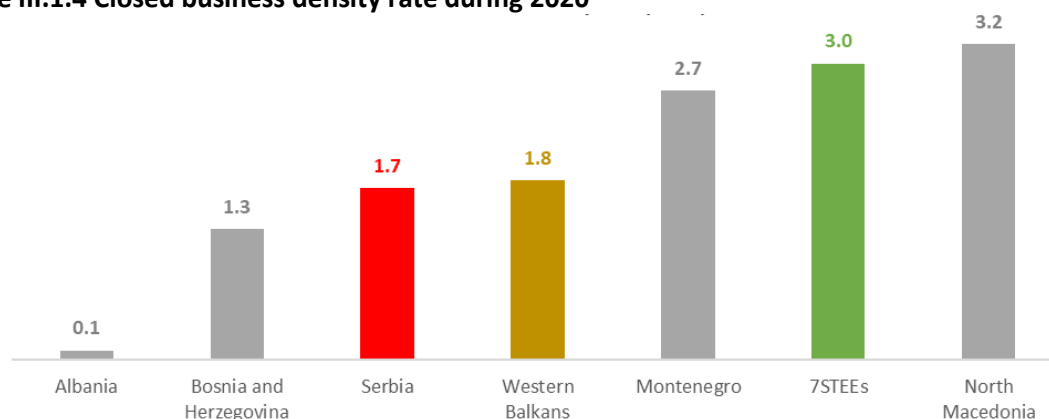
¹⁹² Given the lack of benchmarks assessing the number of procedures and requirements, time, and cost needed to close a business, the red color is assigned based on the private sector's perception found across different sources.

fairer access to credit,¹⁹³ a welcome feature for businesses of all sizes and in particular for micro and SMEs which do not have access to capital markets.¹⁹⁴ Orderly debt resolution processes are critical for businesses of all sizes, aiding financial stability, new investment flows, and the value of contracts and contract law.

71. Striking a balance between liquidation and reorganization proceedings is also of importance.

Business rescue mechanisms should only be available to viable firms which encounter temporary financial difficulties. During 2020, the density rate in Serbia for closed businesses was 1.7%, below the Western Balkans average (Figure III.1.4).¹⁹⁵

Figure III.1.4 Closed business density rate during 2020



Source: World Bank.

72. SMEs in Serbia perceive closing a business as burdensome. Regardless the type of company (LLC, JSC, entrepreneurial shop, etc.) closing a business is considered by small and medium business as complicated since the necessary documents the entrepreneurs have to obtain to close a business have their own (and different) time validity, and it is difficult to synchronize that time.¹⁹⁶

73. Since 2006, Serbia has been actively implementing important reforms of its insolvency legal and institutional framework: from enacting and periodically amending the Bankruptcy Law, introducing reorganization and liquidation proceedings, out-of-court mechanisms, and increasing creditors’ rights, to the creation of an agency in charge of granting licenses to bankruptcy administrators, the Agency for the Licensing of Bankruptcy Trustees (ALSU).¹⁹⁷ As a result, Serbia has an insolvency legal framework in line with international standards, which not only allows to both debtors and creditors to initiate proceedings, but also foresees automatic bankruptcy when accounts from companies have been blocked for more than three years. Additionally, Serbian and foreign creditors have the same rights in terms of initiating or participating in bankruptcy proceedings.¹⁹⁸

¹⁹³ Menezes, Antonia. 2014. “Debt Resolution and Business Exit.” Viewpoint Public Policy for the Private Sector, Note No. 343, July 2014. Washington, D.C.: World Bank.

¹⁹⁴ In 2021, the World Bank, together with the United Nations Commission on International Trade Law (UNCITRAL), launched newly updated Principles for Effective Insolvency and Creditor/Debtor Regimes (ICR Principles). They reflect new principles to address the insolvency of Micro and Small Enterprises. The new Principles are available at <https://documents1.worldbank.org/curated/en/391341619072648570/pdf/Principles-for-Effective-Insolvency-and-Creditor-and-Debtor-Regimes.pdf>.

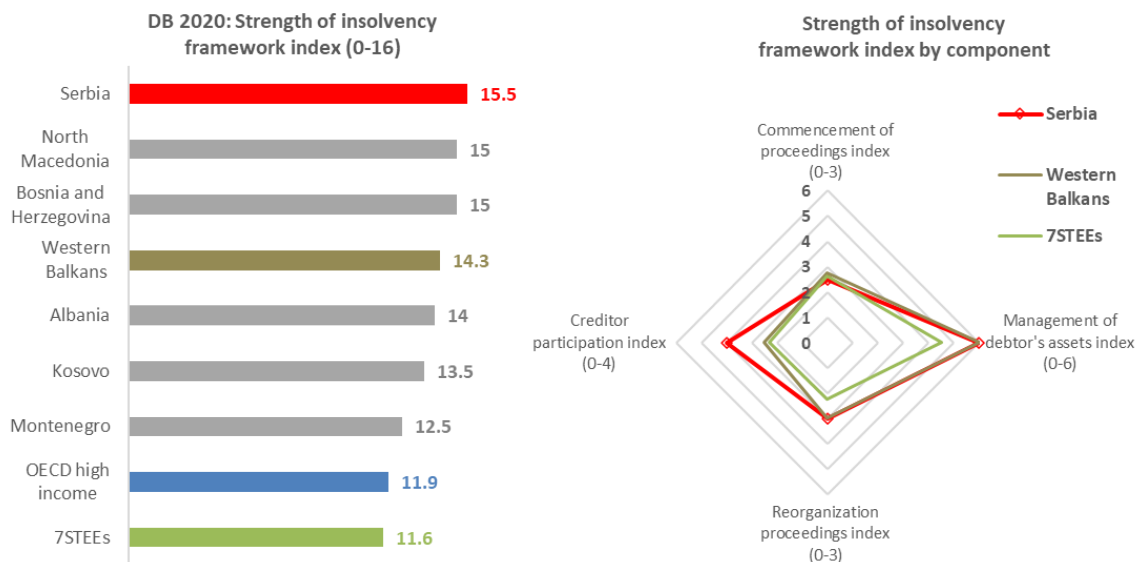
¹⁹⁵ World Bank’s Entrepreneurship database. See: <https://www.worldbank.org/en/programs/entrepreneurship>.

¹⁹⁶ World Bank. 2022. “Validation” *Op. cit.*

¹⁹⁷ ALSU, see: <https://alsu.gov.rs/>.

¹⁹⁸ U.S. Department of State. 2022. *Op. cit.*

Figure III.1.5 Serbia with the strongest insolvency framework around the world



Source: *Doing Business* database.

74. As measured by DB and from a *de jure* point of view, Serbia has one of the highest scores worldwide in the Strength of Insolvency Framework Index (SIFI), which is calculated based on the domestic legal provisions on insolvency and comprises four indices: commencement of proceedings index, management of debtor's assets index, reorganization proceedings index, and creditor participation index.¹⁹⁹ As a consequence of the aggressive reforms aforementioned, with zero out of 16 points in 2006 in the SIFI, by 2020 Serbia had a score of 15.5 points (Figure III.1.5).

75. Notwithstanding, Serbia also has one of the highest costs and one of the lowest recovery rates on insolvency proceedings across Europe. Serbia ranks 41st out of 190 economies in the DB Resolving Insolvency indicator, in line with the Western Balkans and the EU+UK average rank (Figure III.1.6, left). The approximate time for secured creditors to recover their outstanding debt after completing the liquidation proceedings in Belgrade is 2 years in total, similar to the Western Balkans average time.²⁰⁰ However, it is estimated that an insolvency case in Serbia would cost around 20% of the value of the estate, one of the highest in the region (Figure III.1.6, center). Similarly, at the end of the proceedings, secured creditors in Serbia are expected to receive on average 34.5 cents for every dollar loaned, which is considerably less than the recovery rate in the EU+UK countries and almost 20% less than in the Western Balkans (Figure III.1.6, right).

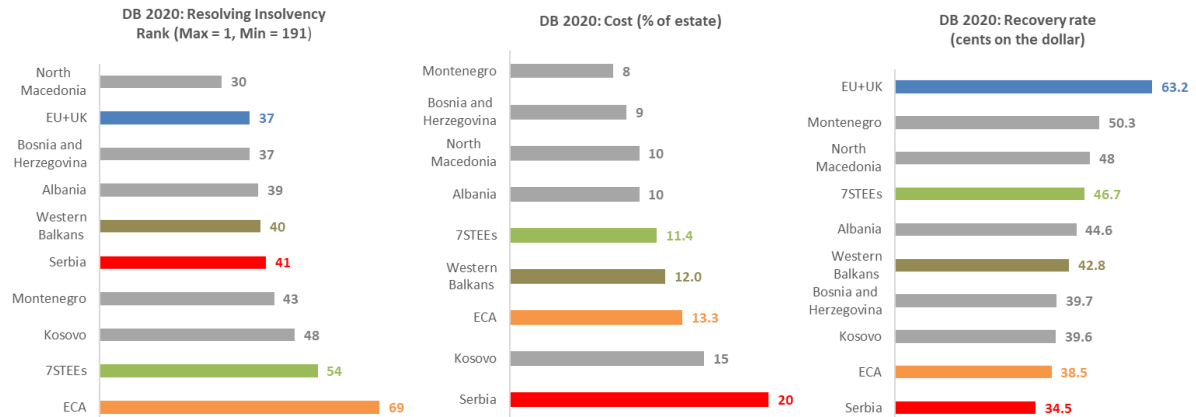
76. In spite of the achievements on strengthening insolvency framework, there are areas for reform. Besides implementing measures to improve the time, reduce costs or increase the recovery rate of insolvency cases, as identified by NALED, publicity and transparency of bankruptcy proceedings could be enhanced by amending the Bankruptcy Law and the Law on Agency for Licensing Bankruptcy

¹⁹⁹ *Doing Business* database. See Resolving Insolvency methodology: <https://archive.doingbusiness.org/en/methodology/resolving-insolvency>.

²⁰⁰ DB's Resolving Insolvency indicator does not deal with situations where a business owner voluntarily winds up a solvent company, but rather where businesses become "insolvent" under one of two definitions: i) the business is unable to pay its debts as these become due; or ii) the business has more liabilities than assets. The data are derived from questionnaire responses by local insolvency practitioners and verified through a study of laws and regulations and public information on insolvency systems. The rankings are based on two equally weighted indicators—the recovery rate (recorded as cents on the dollar recouped by secured creditors through reorganization, liquidation, or debt enforcement (foreclosure or receivership) proceedings) and the Strength of Insolvency Framework Index. The recovery rate is calculated based on the time, cost and outcome of resolving the proceedings in court, considering the lending rate.

Trustees. Although both legal instruments establish obligations for the publicity of certain documents, in practice this is not the case, making difficult to the interested parties to follow-up on the case. Also, courts usually require proof of the existence of a legal interest, which is against the principle of public bankruptcy proceedings. It is also suggested that the public audit is carried out through the electronic procedure “e-Auction.”²⁰¹

Figure III.1.6 Serbia’s performance on insolvency proceedings across Europe



Source: *Doing Business* database.

Note: ECA region excludes OECD high income countries.

77. Furthermore, the White Book 2022 from the Foreign Investors Council (FIC) finds important space for improvement in the bankruptcy law. On a scale from 1-3, Serbia scores 1.22 points which means that no progress has been achieved since 2012. On one side, developments that are acknowledged in the White Book are the improvement of the position of secured and pledged creditors; the increase of transparency and efficiency of the proceedings; and better control of bankruptcy administrator’s work and expertise. Nevertheless, some of the identified challenges are the need to: regulate the delivery issue in bankruptcy proceedings to make it faster and more efficient; consider legal regulation of digitalization process in operations of creditors’ bodies and communication between bankruptcy bodies; stipulate the possibility and procedure for amending the adopted reorganization plan; establish electronic sale of debtor property, among others.²⁰²

²⁰¹ National Alliance for Local Economic Development. 2022. *Grey Book. Op. cit.*

²⁰² Foreign Investors Council. 2022. *White Book 2022: Proposals for improvement of the business environment in Serbia.* Belgrade: FIC.

III.2 Getting a Location

- 78. Once a business is registered and ready to start operations, an important milestone of firms' life cycle is getting a location, either by buying, renting or constructing a property.** In this regard, authorities can improve their legal framework and infrastructure to deliver services efficiently and reduce risks related to construction. Solutions can include risk-based licensing and inspection systems, and robust building regulatory systems.
- 79. At the same time, effective regulations pertaining to property rights can encourage investment.** Stronger property rights encourage businesses to undertake value-adding investments, and it has been shown to be positively associated with firm performance, capital formation, and growth. Section III.2 covers three areas relevant for businesses when getting a location: i) Construction permit regulations; ii) Connecting to an electric network; and iii) Buying land and quality of the land management system.

Construction permits regulations ●

- 80. Sound and functioning building control processes ensure safety standards that protect the public while making the permitting process efficient, transparent, and affordable for both building authorities and the private professionals who use it.** Besides enhancing public safety, well-functioning building permitting systems strengthen property rights and contribute to capital formation.²⁰³ Examining the potential impact of building permit reforms on new income generation shows that, for every ten jobs directly related to a construction project, another eight jobs are created locally.²⁰⁴ However, if procedures are too complicated or costly, entrepreneurs may abandon building projects—or proceed without a permit.²⁰⁵
- 81. Empirical evidence shows that long delays to obtain permits could lead to higher transaction costs and less transactions.**²⁰⁶ Complex procedures can also increase opportunities for corruption. Research shows that the share of firms expecting to give gifts in exchange for construction approvals is correlated with the level of complexity and cost of dealing with construction permits.²⁰⁷ Reforms that make regulation of construction more efficient and transparent can help reduce corruption and informality, while ensuring compliance with important standards, such as those impacting safety or mitigating climate change.
- 82. Good construction regulations, combined with effective enforcement mechanisms also matters for the health of the building sector and the economy.** During the last 20 years, Serbia had implemented high-impact reforms in construction regulations, institutional mechanisms, and electronic tools that had significantly decreased administrative burden on construction permits. On one hand, the legal framework was strengthened by enacting a Building Law in 2003 and later in 2015 the Law on Planning and Construction was amended. Additionally, administrative procedures related to construction permits, inspections and utilities' connections (sewerage and water) were simplified and streamlined,

²⁰³ World Bank Group. 2013. "Good Practices for Construction Regulation and Enforcement Reform: Guidelines for Reformers." Investment Climate. Washington, D.C.: World Bank.

²⁰⁴ PricewaterhouseCoopers. 2005. "Economic Impact of Accelerating Permit Processes on Local Development and Government Revenues." Report prepared for the American Institute of Architects, Washington, DC.

²⁰⁵ Moullier, Thomas. 2009. "Reforming Building Permits: Why Is It Important and What Can IFC Really Do?" International Finance Corporation. Washington, D.C.: World Bank.

²⁰⁶ Hamman, Sonia. 2014. "Housing matters, Volume 1." World Bank Policy Research Working Paper 6876. Washington, D.C.: World Bank.

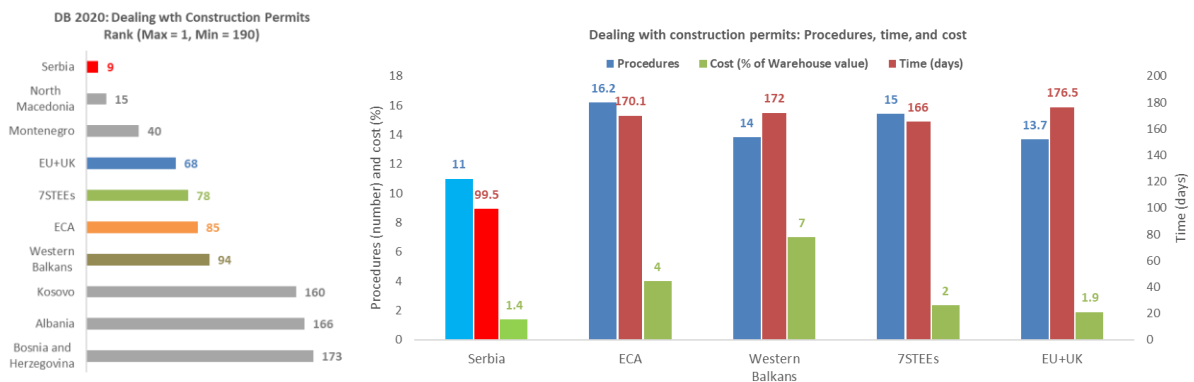
²⁰⁷ World Bank. 2009. *Doing Business 2010: Reforming through Difficult Times*. Washington, DC: World Bank Group

and some fees and taxes were cut or eliminated. In 2018, a unified procedure was implemented, allowing for electronic notifications to the Ministry of Labor and to the Secretariat for Urbanism and Construction Affairs. The same year was also introduced a new online portal for the notification of completion of foundation works.

83. The payoff of construction permitting reforms can be significant. Construction is one of the main economic drivers in the EU, contributing 9% of overall GDP and providing 18 million direct jobs.²⁰⁸ Supported by strong infrastructure capital investments, the Serbian construction sector increased its share in GDP from 3% in 2013 to 5.4% in 2020.²⁰⁹

84. Based on DB ranking on construction permits, Serbia ranks 9th out of 190 countries. As a result of the reform process aforementioned, getting a construction permit in Serbia is relatively fast and cheap (Figure III.2.1, left). Across ECA (excluding high-income), Serbia is the highest performer and compared to EU countries, it is ranked only behind Denmark (rank 4th). Obtaining a permit to construct a warehouse in Belgrade’s peri-urban area, including occupancy authorizations, took in 2019 less than four months (99.5 business days) in 11 different steps, costing 1.4% of the warehouse value. In the Western Balkans, in average it takes 14 procedures, 170 days, and costs 7% (Figure III.2.1, right).

Figure III.2.1 Getting a construction permit in Serbia is relatively fast and cheap



Source: *Doing Business* database.

Note: ECA region excludes OECD high income countries.

85. Additionally, Serbia has one of the highest scores in the DB’s Building Quality Control Index (BQCI). The BQCI indicates that there is a satisfactory level of building control before, during, and after the construction permit is issued and that the professionals who carry out building control functions (e.g., plan reviews and site inspections) have adequate professional certifications.²¹⁰ Out of 15 points, Serbia scores 14 points, similar to Bulgaria and Russia from the ECA region (excluding high-income), and just behind Luxembourg from the EU.

86. According to Enterprise Survey’s data, in Serbia a construction permit took on average 85.3 days in 2019. This is similar to the time found by the latest DB report (99.5 days). However, while in South

²⁰⁸ European Commission. 2016. “The European Construction Sector: A Global Partner.” Internal Market, Industry, Entrepreneurship and SMEs Directorate General, Energy Directorate General and Joint Research Centre.

²⁰⁹ European Commission. 2022. *Op. cit.*

²¹⁰ The BQCI also points to insufficient liability and insurance regimes. For example, there are no regulations that hold parties liable by law for any structural flaws or problems in the building once it is in use. Additionally, no parties are required by law to obtain an insurance policy to cover possible flaws or problems in the building once it is in use. Regulations that govern liability and insurance are crucial for safe and sustainable construction, as well as resolving disputes that may arise.

Serbia this time was 43 days and in the Vojvodina region 63 days, in Belgrade it took 184.5 days, more than twice the national average. Despite the methodological differences between the Enterprise Surveys and the DB report, this indicates that efficiency on granting construction authorizations can significantly vary depending on the location or type of construction. Additionally, Serbian SMEs have suggested that efficiency can improve with the enforcement of the provisions (already established in the legislation) on the notifications to local authorities on certain types of works instead of going through the procedure of obtaining building permission.²¹¹

87. On the other hand, there is room to improve spatial and urban planning in several areas. For example, given the limited capacity of local self-government units and decentralized planning systems, not only planning documentation is incomplete but there is a lack of content and format uniformity, as well as insufficient involvement of various public authorities in the process of development of planning documents. Also, land use conditions defined by public companies and institutions are not entirely transparent. These problems slow down infrastructure development, discourage private investment, and generate corruption on granting location conditions, construction, and use permits.²¹² In addition, the WB has previously identified other areas that could be improved on this matter. For example, detailed urban plans that are insufficiently developed imposes an obligation for investors who intend to build, to finance development of urban plans for targeted areas, in order to specify the missing details in the urban plans.²¹³ As such, the implementation of the eSpace and ePlan systems will allow for the preparation and digitization of spatial and urban plans.²¹⁴ This will imply amendments to the Law on Planning and Construction. Moreover, it has been recommended to consider the Slovenian model to reform the urban planning system, given the similarities of the legal frameworks in both countries.²¹⁵

Connecting to an electric network ●

88. Access to electricity is one of the critical elements of high-quality infrastructure. The WEF sees infrastructure, including electricity provision, as one of the four pillars of competitiveness. It defines competitiveness as the set of institutions and factors that determine a country's productivity. A reliable supply of electricity notably boosts a firm's output, while also affecting societal welfare in areas like education²¹⁶ and healthcare.²¹⁷

89. Without a stable energy supply, businesses cannot make full use of their capital and risk under protection. Where the quality and accessibility of infrastructures is poor, companies' productivity is negatively impacted.²¹⁸ This holds true especially for SMEs, as many cannot turn to captive power options or off-grid production due to limited resources.²¹⁹ In the WEF's GCI Electricity sub-pillar,

²¹¹ World Bank. 2022. "Validation" *Op. cit.*

²¹² National Alliance for Local Economic Development. 2022. *Grey Book. Op. cit.*

²¹³ World Bank. 2022. "Recommendations for Improving the Regulatory Business Environment in Serbia." Report part of "EU for Better Business Environment" (EU4BE), July 2022.

²¹⁴ National Alliance for Local Economic Development. 2022. "Priorities for Better Business Environment 2023/24." Fair Competition Alliance, December 15, 2022. Belgrade: NALED.

²¹⁵ World Bank. 2022. "Recommendations for Improving the Regulatory Business Environment in Serbia." *Op. cit.*

²¹⁶ Khandker, Shahidur R., Hussain A. Samad, Rubaba Ali, and Douglas F. Barnes. 2014. "Who Benefits Most from Rural Electrification? Evidence in India." *The Energy Journal* 35, no. 2: 75-96.

²¹⁷ Adair-Rohani, Heather et al. 2013. "Limited Electricity Access in Health Facilities of Sub-Saharan Africa: A Systematic Review of Data on Electricity Access, Sources, and Reliability." *Global Health, Science and Practice* 1.2: 249-261. PMC.

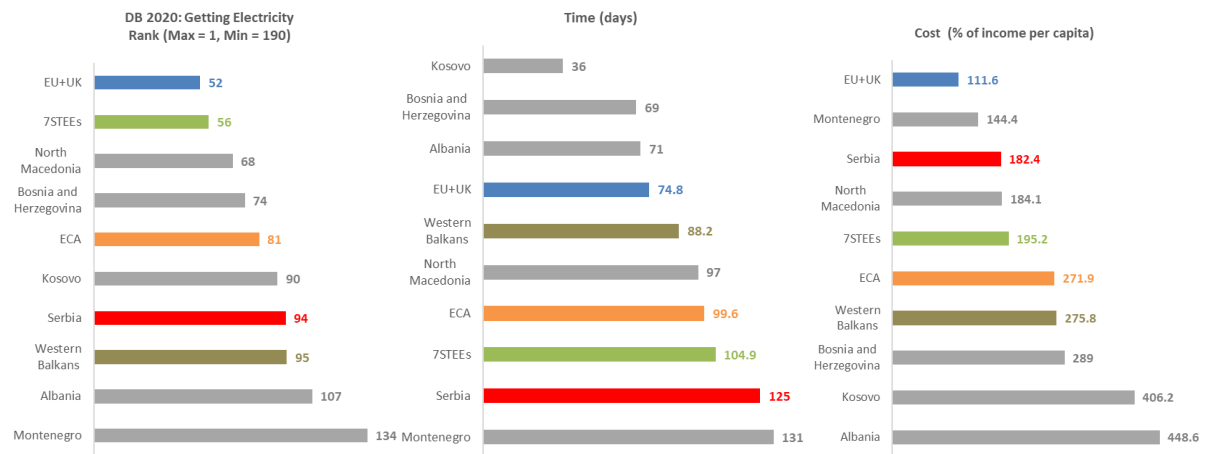
²¹⁸ Calderon, Cesar, and Luis Servén. 2003. "Infrastructure, Growth, and Inequality: An Overview." World Bank Group Policy Research Working Paper 7034. Washington, D.C.: World Bank.

²¹⁹ Moyo, Busani. 2013. "Do Power Cuts Affect Productivity? A Case Study of Nigerian Manufacturing Firms." *International Business and Economics Research Journal (IBER)* 11 (10): 1163-1174.

Serbia ranks 73rd out of 141 countries. However, in the “Electricity supply quality” indicator, it ranks 84th.²²⁰

90. In 2019, more than 15% of Serbian firms identified electricity as a major constraint. This percentage is higher for medium-sized firms.²²¹ Demand-side challenges mostly come in the form of power reliability and supply adequacy, tariff affordability, and the complexity of the connection process. For example, studies have shown that cost-effective connections lead to an increase in electrification. More direct electricity connections—in terms of time, cost, and procedures—positively impact firm performance. This is particularly the case in industries with high electricity needs, such as manufacturing.²²²

Figure III.2.2 How lengthy and costly is to get electricity across Europe (2020)



Source: *Doing Business* database.
 Note: ECA region excludes OECD high income countries.

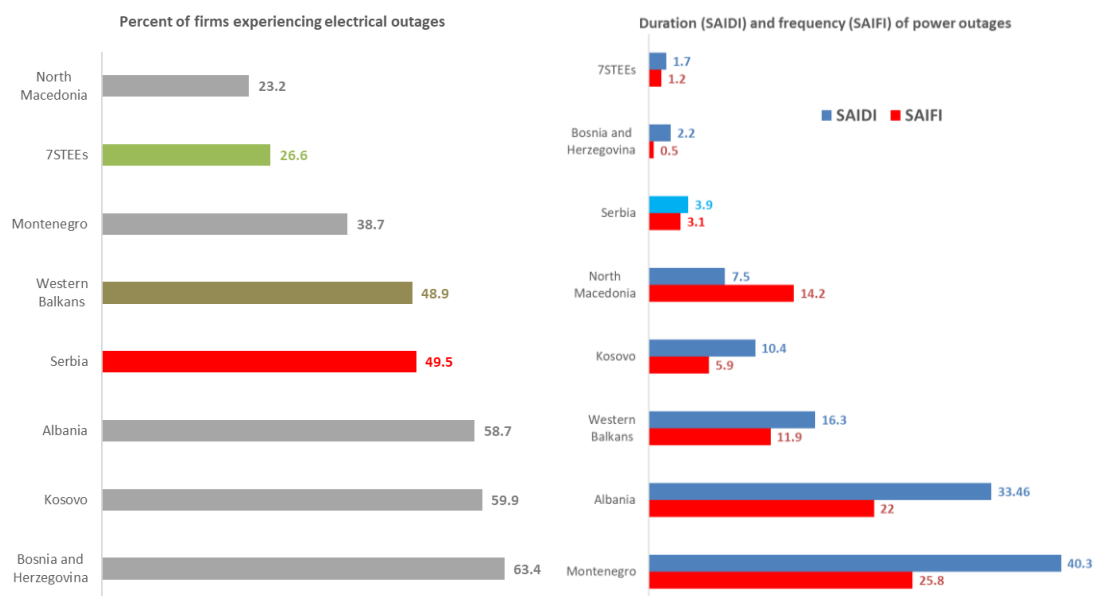
91. When it comes to connecting to an electric network, Serbia lags behind most of its regional peers. Serbia ranks 94th out of 190 in the DB’s Getting Electricity indicator.²²³ This performance is in line the Western Balkans average, but behind ECA (excluding high-income), 7STEEs, and EU+UK regions (Figure III.2.2, left). This could be explained in part due to the duration of the process. It takes 125 business days to connect to the electric network in Serbia, the second lengthiest across the Western Balkans, just below Montenegro where it takes 131 days (Figure III.2.2, center). Data from the Enterprise Surveys coincides with the DB findings, where in average, it is estimated that the time to obtain an electrical connection in 2019 was 113.6 days. However, this can drastically change depending on the company’s size. While it can take around a month for a medium-sized firm and less than two months for a large company, a small business has to wait in average more than six months.²²⁴

²²⁰ Global Competitiveness Index database.
²²¹ World Bank. 2019. “Enterprise Surveys.” *Op. cit.*
²²² Geginat, Carolin, and Rita Ramalho. 2015. *Electricity connections and firm performance in 183 countries*. Policy Research working paper, no. WPS 7460 Washington, D.C.: World Bank Group.
²²³ *Doing Business* database. The Getting Electricity indicator measures the ease of the connection process, along with the reliability of electricity supply and the transparency of commercial tariffs. The indicator set helps to understand the challenges and potential bottlenecks firms face vis-à-vis the electricity sector. For example, it provides data on the process of obtaining a new electricity connection for local SMEs, detailing the required associated procedures along with their time and cost. This benchmark enables utilities and regulators to gauge the connection service and learn from best practices as efficient connection processes share key features.
²²⁴ World Bank. 2019. “Enterprise Surveys.” *Op. cit.*

92. An economy’s administrative efficiency can heavily influence a country’s connection costs. As measured by the percentage of the income per capita, connecting to an electric network in Serbia costs in average more than 182%. While this is significantly lower compared to the average cost from ECA (excluding high-income) or the Western Balkans, Serbian entrepreneurs pay more than 63% than its EU peers (Figure III.2.2, right).

93. While the efficiency of the connection process—as measured by the procedures, time, and cost to get a new connection—is important for businesses and households alike, it reflects a relatively minor part of the overall power sector’s performance. Power outages, which impact everyone from households to industrial factories, can severely hamper business activity as well as the overall economy as a whole. Studies have shown that poor electricity supply adversely effects firm productivity and productive capacity.²²⁵ Further research demonstrates that capital (domestic and foreign) tends to go to economies that can offer a reliable and competitively priced supply of electricity.²²⁶

Figure III.2.3 Electrical outages indicators during 2019



Source: *Doing Business* and Enterprise Surveys databases.

Note: Enterprise Survey data for Bulgaria and Slovak Republic from 2013.

94. Findings from the WB’s Enterprise Surveys indicate that almost 50% of surveyed firms experienced electrical outages during 2019 (Figure III.2.3, left). Nevertheless, in Belgrade this percentage was 63%, while in South Serbia 44% and in the Vojvodina region less than 38%. On average, it is estimated that these outages represented to firms almost 1% of their annual sales. Outages affect more to SMEs

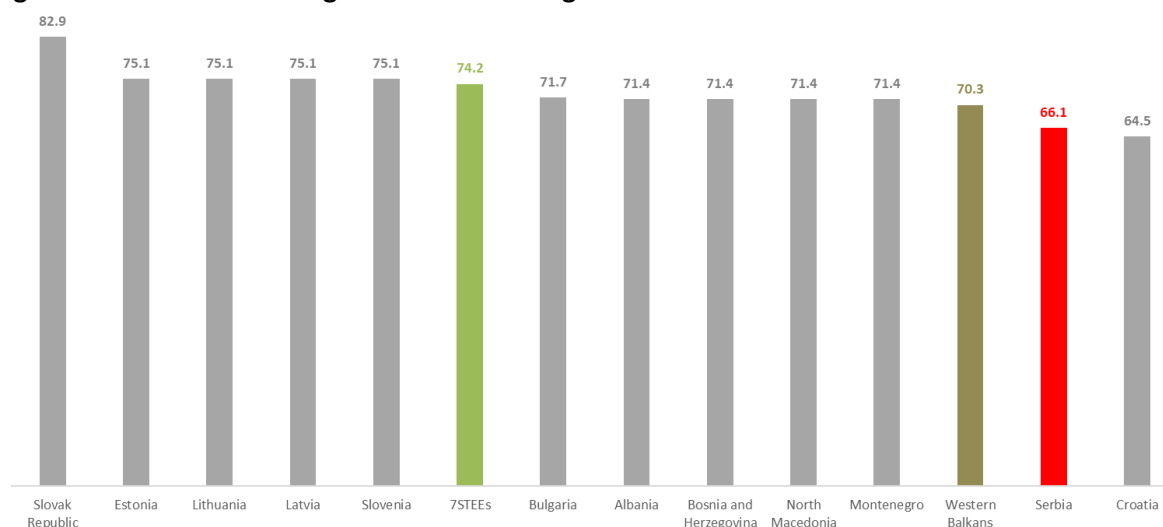
²²⁵ Calderon, César, and Luis Servén. 2003. “The Output Cost of Latin America’s Infrastructure Gap.” In *The Limits of Stabilization: Infrastructure, Public Deficits, and Growth in Latin America*, ed. William R. Easterly and Luis Servén. Washington, D.C.: World Bank; Dollar, David, Mary Hallward-Driemeier, and Taye Mengistae. 2005. “Investment Climate and International Integration.” Policy Research Working Paper 3323. Washington, D.C.: World Bank; Reinikka, Ritva, and Jakob Svensson. 1999. “Confronting Competition: Investment Response and Constraints in Uganda.” Policy Research Working Paper 2242 Washington, D.C.: World Bank; Eifert, Benjamin. 2007. “Infrastructure and Market Structure in Least-Developed Countries.” Department of Economics, University of California, Berkeley; Limi, Atsushi. 2008. “Effects of Improving Infrastructure Quality on Business Costs: Evidence from Firm-Level Data.” Policy Research Working Paper 4581. Washington, D.C.: World Bank.

²²⁶ Audinet, Perre, and Martin Rodriguez Pardina. 2010. “Managing an Electricity Shortfall: A Guide for Policy Makers.” Washington, D.C.: World Bank.

since the losses due to electrical outages only represented 0.3% of large-sized firm’s annual sales.²²⁷ The DB Reliability of supply and transparency of tariff index encompasses quantitative output data on the duration and frequency of power outages, measured through the System average interruption duration index (SAIDI) and the System average interruption frequency index (SAIFI).²²⁸ The average total duration of outages over 2019 in Serbia was 3.9 and the average number of service interruptions experienced by a customer during the same period was 3.1. Although these measurements are more than five times less the average across the Western Balkans, it represents more than double the duration and frequency power outages in the 7STEEs (Figure III.2.3, right). It can be challenging for entrepreneurs to make informed decisions, especially in economies where the type of connection works vary depending on the network’s capacity.²²⁹

95. The WEF’s GCI Energy efficiency regulation indicator assesses a country’s policies and regulations to promote energy efficiency energy. The score ranges from 0 (not conducive) to 100 (very conducive).²³⁰ Serbia score in this indicator is the second lowest among the Western Balkans and 7STEEs countries, just above Croatia (Figure III.2.4).

Figure III.2.4 Electrical outages indicators during 2019



Source: WEF.

96. In addition to the issues presented above, reforming the Serbian electric utility is crucial. It has been argued by numerous reports that one key pending reform is the restructure or privatization of the SOEs in Serbia given the impact these companies have on low productivity and lack competition. The electric sector in Serbia is not the exception. The Electric Power Industry of Serbia (EPS) is a SOE and

²²⁷ World Bank. 2019. “Enterprise Surveys.” *Op. cit.*

²²⁸ DB uses the SAIDI and the SAIFI to measure the duration and frequency of power outages in the largest business city of each economy. SAIDI is the average total duration of outages over a year for each customer served, while SAIFI is the average number of service interruptions experienced by a customer in a year.

²²⁹ If capacity is constrained, a more complicated connection needs to be required to expand the distribution network, and new customers may need to cover the required capital investments (e.g., installation of a distribution transformer).

²³⁰ The score is based on a country's performance in 12 indicators: National energy efficiency planning; Energy efficiency entities; Information provided to consumers about electricity usage; EE incentives from electricity rate structures; Incentives & mandates: Industrial and Commercial End users; Incentives & mandates: Public sector; Incentives & mandates: Utilities; Financing mechanisms for energy efficiency; Minimum energy efficiency performance standards; Energy labelling systems; Building energy codes; Transport; and Carbon Pricing and Monitoring.

for example, as measured by DB, out of the 125 calendar days needed to connect to the electric network, the EPS take on average 89 days (71% of the total time).²³¹

Buying land and quality of the land management system ●

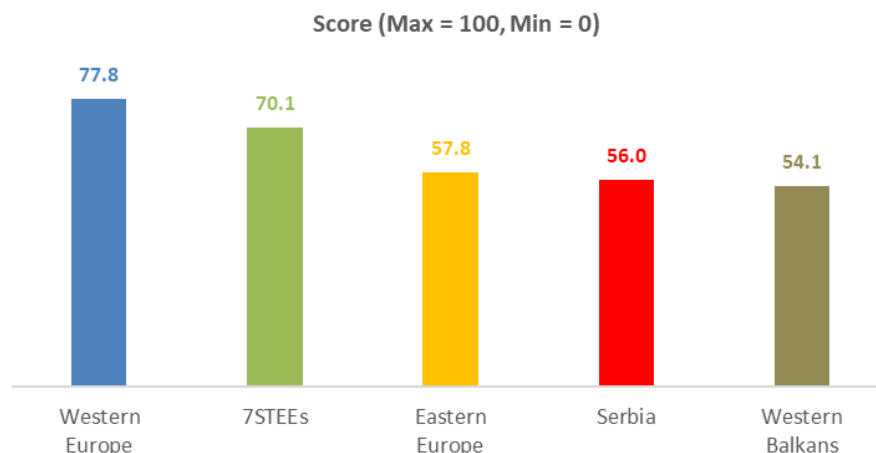
97. Registered property rights are central to increasing investment, productivity, and growth.²³²

Research suggests that property owners with secure ownership are more likely to invest in private enterprises and transfer land to more efficient users. The ability to access accurate and authoritative information on land ownership also reduces the transaction cost in financial markets, making it easier to use property as collateral.²³³

98. Aiming to strengthen property rights in Serbia, confiscated properties restitutions (in kind and first-instance decisions) continued during 2022 by the Agency for Restitution.²³⁴ Additionally, in November 2021 the Law on Expropriation was amended by the Parliament; however, due to public protests the President returned the Law and the initiative was later withdrawn.²³⁵

99. As part of its Investment Environment pillar, the Legatum Prosperity Index assesses to what extent property rights are protected. Serbia scores 56 out of 100 points in the Property Rights' indicator (Figure III.2.5).²³⁶ Additionally, the WEF's GCI Property rights metric gives Serbia a score of 48.6 out of 100 points, just above Croatia, North Macedonia, Albania, and Bosnia and Herzegovina from the Western Balkans and 7STEEs regions.²³⁷

Figure III.2.5 Performance in the Property Rights' indicator across Europe (2021)



Source: The Legatum Prosperity Index database.

²³¹ *Doing Business* database. The other institutions involved in the process are the One Stop Shop for location conditions, licensed electrical engineer, as well as a public or private power supply company.

²³² Claessens, Stijn, and Luc Laeven. 2003. "Financial Development, Property Rights, and Growth." *Journal of Finance* 58 (6): 2401–36.

²³³ Johnson, Simon, John McMillan, and Christopher Woodruff. 2002. "Property Rights and Finance." *The American Economic Review* Volume 92, Issue 5 (December): 1335-1356.

²³⁴ Agency for Restitution. See: <https://restitucija.gov.rs/>. For cases where in kind restitutions were not possible, in January 2022 the GoS issued bonds, based on the coefficient for financial restitution. Also, cash advance as a form of compensation were provided to claimants.

²³⁵ European Commission. 2022. *Op. cit.*

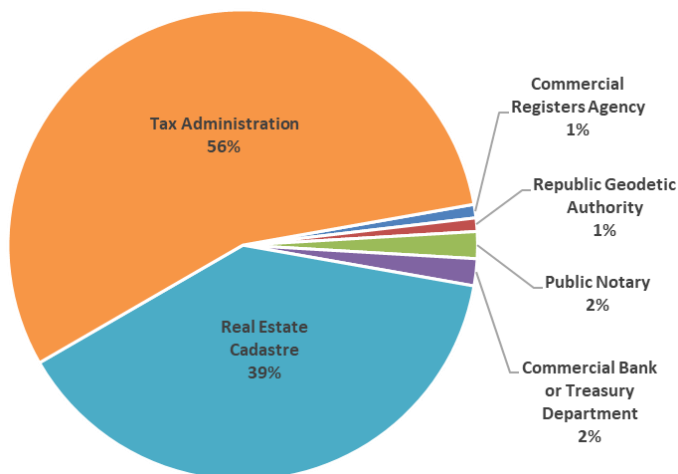
²³⁶ Legatum Institute. 2021. *Op. cit.*

²³⁷ Global Competitiveness Index database. The indicator is elaborated based on the response to the survey question "In your country, to what extent are property rights, including financial assets, protected?"

100. Land registries, together with cadasters that identify the location of a property, are institutions used around the world to map, prove, and secure property rights. These institutions are part of the land information system of an economy. With land and buildings accounting for between half and three-quarters of the wealth in most economies, having an up-to-date land information system is crucial.²³⁸ The benefits of land registration go beyond the private sector. For governments, having reliable and up-to-date information in cadasters and land registries is essential to correctly assess and collect tax revenues. Similarly, with updated land information, governments can map out the varying requirements of their cities and strategically plan the provision of services and infrastructure in the areas of the city where they are most needed.²³⁹

101. The DB Registering Property indicator records the full sequence of procedures, time, and cost necessary for a business to transfer a land's commercial property title and building to another business. To register a property in Belgrade in 2019, an entrepreneur had to go through six steps, wait more than month and a half (33 business days), at a cost of 2.6% of the property value.²⁴⁰ This positions Serbia at rank 58th out of 190 economies. The identified bottlenecks during the registration process are mainly at the Tax Administration and the Real Estate Cadastre (Figure III.2.6). Although the two procedures under these agencies can be carried out simultaneously, the approval of the transaction value and of the transfer tax payment takes 30 business days in average at the Tax Administration. Similarly, the Cadastre takes 21 business days to issue the decision on the property title.

Figure III.2.6 Bottlenecks on property registration in Serbia (time by agency)



Source: *Doing Business* database.

102. Research suggests that firms with more secure property rights are more likely to allocate resources better and consequentially grow faster.²⁴¹ Greater land tenure security and private land rights facilitate access to external financing and promote investment.²⁴² The ability to access accurate and authoritative information on land ownership also reduces the transaction cost in financial

²³⁸ World Bank. 1989. *World Development Report 1989*. New York: Oxford University Press.

²³⁹ Property information held in cadasters and land registries is part of the land information available to governments. Land information also includes other geographic, environmental and socioeconomic data related to land that are useful for urban planning and development.

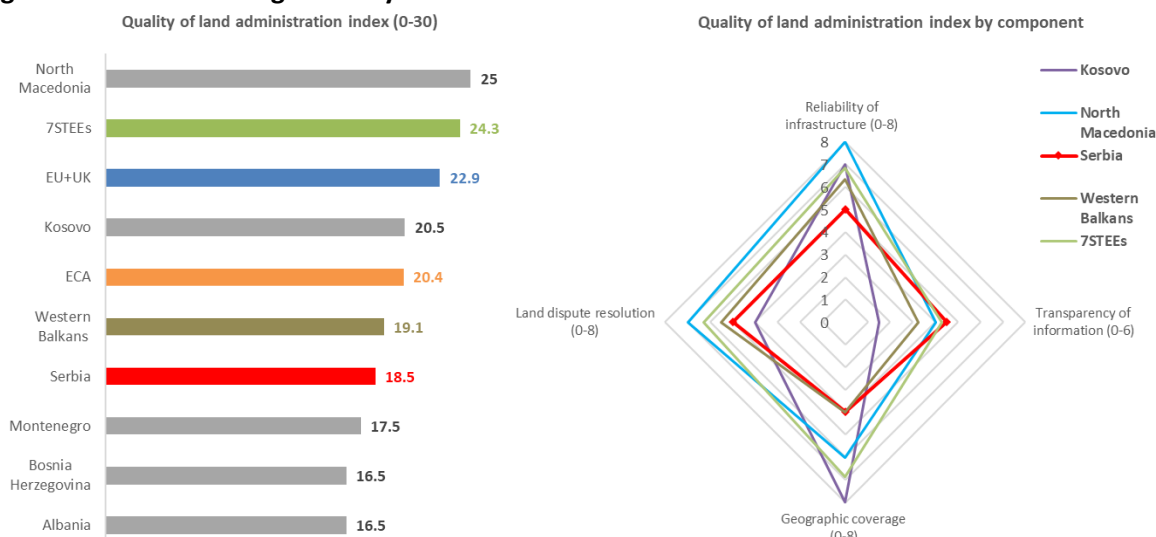
²⁴⁰ *Doing Business* database.

²⁴¹ Claessens, Stijn, and Laeven, Luc. 2003. "Financial Development, Property Rights, and Growth." *Journal of Finance* 58 (6): 2401-36.

²⁴² Karas, Alexei, William Pyle, and Koen Schoors. 2015. "A 'de Soto Effect' in Industry? Evidence from the Russian Federation." *Journal of Law and Economics* 58 (2): 451-80

markets, making it easier to use property as collateral.²⁴³ DB also measures the land administration system's quality, which is based on five dimensions: reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution, and equal access to property rights index. Serbia scores 18.5 out of 30 points, one of the lowest across the ECA region (Figure III.2.7, left). However, the quality of its land management system varies across the different dimensions (Figure III.2.7, right).²⁴⁴

Figure III.2.7 Land management system in Serbia



Source: *Doing Business* database.

Note: ECA region excludes OECD high income countries.

103. International best practice has established that a unified computerized registry with clear titles is one of the main features of an effective property registration system, but this is not the case in Serbia. A unified computerized registry could make information and procedures available online, offer expedited procedures, low transaction costs, set reasonable transfer fees, and respect effective time limits to complete the property transfer process.²⁴⁵ Although property titles are scanned nationwide, they are not in a fully digital format. Moreover, the records for property titles and cadastral plans are stored in separated databases, while the best practice is to have a single database or at least linked databases. Regarding transparency and accountability, while information on land ownership is freely accessible by anyone, there is no independent mechanism for filing complaints about a problem that occurred at the agency in charge of the mapping or the immovable property registration.

104. Furthermore, although all privately owned properties in the city of Belgrade are registered and mapped, this is not the case for the rest of Serbia. While all economies from the 7STEEs have all private properties registered nationwide, from the Western Balkans only Kosovo and Montenegro implement this best practice (Figure III.2.8, left). Similarly, except from Bulgaria, the rest of the 7STEEs countries have 100% mapped private properties. From the Western Balkans this is done only in Kosovo and North Macedonia (Figure III.2.8, right).

²⁴³ Johnson, Simon, McMillan, John, and Woodruff, Christopher. 2002. "Property Rights and Finance." *The American Economic Review* 92 (5): 1335-1356.

²⁴⁴ *Doing Business* database.

²⁴⁵ *Ibidem*.

105. It is estimated that during the last twenty years, one-third of buildings in Serbia were not constructed in accordance with the applicable legislation.²⁴⁶ The legalization and registration of around two million buildings is a big challenge for the Cadastre. Since 2015, when the Law on Building Legalization was amended,²⁴⁷ only 230,000 legalization decisions have been issued.²⁴⁸ However, with a later amendment in October 2018,²⁴⁹ it was established the mandate of legalizing all irregular buildings by November 2023 and all the legalization procedures that are not concluded by this deadline will receive a negative decision. The private sector has raised some concerns about this time limit, as well as for some other aspects. For example, since the sale of properties under legalization procedure is prohibited, it is not possible to end bankruptcy and enforcement proceedings that involve unlegalized buildings.²⁵⁰

Figure III.2.8 Geographical coverage for privately owned registered and mapped land plots across Europe



Source: *Doing Business* database.

Note: Dark blue countries with 100% registration of privately owned properties and orange countries with 100% of privately owned land plots mapped.

106. Another challenge for Serbia is the enforcement of property rights' protection. For instance, during 2019 it took between one and two years on average to obtain a decision from the first-instance court on a case involving a standard land dispute between two local businesses over tenure rights for a property. Moreover, statistics on the number of land disputes in the first instance court are not publicly available.²⁵¹

²⁴⁶ U.S. Department of State. 2022. *Op. cit.*

²⁴⁷ Official Gazette of the Republic of Serbia 96/15.

²⁴⁸ U.S. Department of State. 2022. *Op. cit.*

²⁴⁹ Official Gazette of the Republic of Serbia 83/2018.

²⁵⁰ National Alliance for Local Economic Development. 2022. *Grey Book. Op. cit.*

²⁵¹ *Doing Business* database.

III.3 Operations & Expansion

- 107. “Business operations” refers to regulatory requirements that businesses face and the government institutions that they interact with after they enter the market and begin to conduct day-to-day activities.** An effective business operations system in a country includes low compliance costs and regulatory certainty related to licensing, permits and inspections, tax administration, as well as strong regulations and institutions that reduce operating risks for businesses and encourage investment and growth.
- 108. The objective is to design and implement regulations and institutions that can achieve public policy objectives (e.g., health, safety, open markets), while imposing a minimum burden on businesses, delivering high-quality services, and increasing business confidence.** Section 3.3 covers three relevant areas for business operations: i) Licenses and permits; ii) Credit infrastructure (for e.g., access to finance); iii) Complying with tax obligations; and iv) Courts’ efficiency to resolve commercial disputes.

Licenses and permits ●

- 109. Excessive red tape, as well as costly and lengthy government services inhibit business registration and growth, hence job creation.** Licensing and permitting also affect firms’ performance. In 2021, the Register of Administrative Procedures was established by the Law on Register of Administrative Procedures, as a comprehensive online inventory of all administrative procedures and requirements enforced by the central, provincial, and local governments.²⁵² This online registry provides all information for complying with mandatory requirements. However, so far not all national and local governments’ permits and licenses (including inspections) necessary to start-up or operate a business are mapped, making difficult simplification initiatives. The government’s goal is to have registered all administrative procedures for businesses and citizens by January the 1st, 2025.
- 110. Also, the “silence is consent” criterion usually does not apply to all permits, licenses, and approvals.**²⁵³ In 2019, 8% of firms identified business licensing and permits as a major constraint. This percentage is 10% for large firms and more than 13% for medium companies.
- 111. A Serbian entrepreneur has to wait more than three months to obtain an operational license,** while in Montenegro or North Macedonia this procedure is concluded in less than a week (Figure III.1.2, left). This time can actually go up to 168 days in Belgrade.²⁵⁴
- 112. The OECD’s PMR also finds that Serbia underperforms its regional peers in the area of “Licenses and permits” (Figure III.1.2, right).**²⁵⁵ **Inspections also impact businesses’ operations.** Serbian SMEs have suggested that inspections should include advisory on how to fulfill with the norms, especially when new regulations had been issued.²⁵⁶

²⁵² Official Gazette of the Republic of Serbia, No. 44/21.

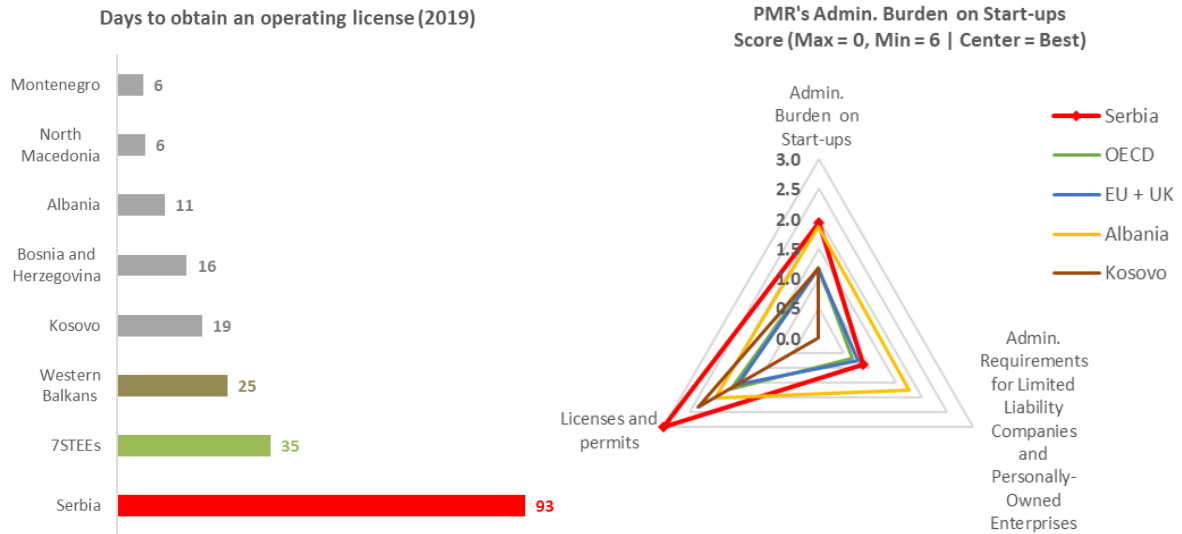
²⁵³ World Bank. 2019. *Serbia’s New Growth Agenda: Removing. Op. cit.*

²⁵⁴ World Bank. 2019. “Enterprise Surveys.” *Op. cit.*

²⁵⁵ OECD’s PMR 2018 Indicators.

²⁵⁶ World Bank. 2022. “Appendices” *Op. cit.*

Figure III.1.2 Days to obtain an operational license and administrative burden for start-ups in Europe

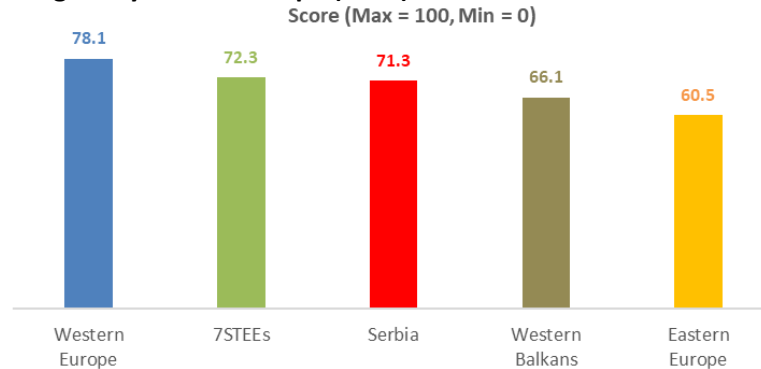


Source: World Bank (left) and OECD (right).

Credit infrastructure

113. Effective secured transactions laws and collateral registries are a crucial component of the business climate. Modern secured transactions systems facilitate the use of movable assets (both tangible and intangible) such as equipment, inventory, accounts receivable, cash-flows, livestock, crops, and others as collateral in exchange for loans.

Figure III.3.1 Financing ecosystem in Europe (2021)



Source: The Legatum Prosperity Index database.

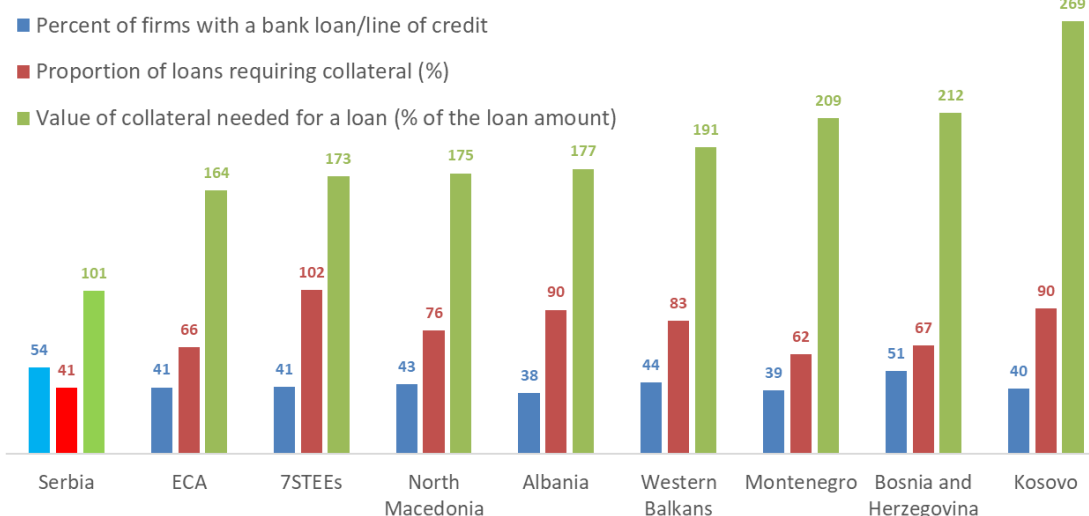
114. Economic analysis suggests that SMEs in countries that have stronger secured transactions laws and registries have greater access to credit, better ratings of financial system stability, lower rates of non-performing loans and a lower cost of credit. While in the developing world 78% of the capital stock of a business enterprise is typically movable assets such as equipment, inventory or receivables, and only 22% is immovable property, financial institutions are reluctant to accept movable property as collateral. Banks heavily prefer land and real estate as collateral.²⁵⁷ This is largely due to many gaps in the legal and institutional frameworks for secured transactions. For instance, the financing

²⁵⁷ Fleisig, Heywood, Mehnaz Safavian, and Nuria de la Pena. 2006. *Reforming Collateral Laws to Expand Access to Finance*. Washington, D.C.: The World Bank Group.

ecosystem in a country is measured by the Legatum’s Prosperity Index. In this indicator, Serbia scores 71.3 out of 100 points (Figure III.3.1).²⁵⁸

115. Credit activity on corporate loans grew in Serbia from 5.1% in September 2021 to 15.8% in June 2022.²⁵⁹ This could be in part explained by the government-backed guarantee schemes and the relatively low interest rates at the time. Indeed, Serbia has one of the highest number of firms with a bank loan/line of credit, as well as one of the lowest rejection rates for loan applications across the Western Balkans and the 7STEEs regions. In 2019, more than 53% of firms had a loan and only 0.3% of firms that applied for a loan were rejected.²⁶⁰ During the same period, the average percentage of rejected firms in the Western Balkans was 3% and almost 7% in the 7STEEs, but it can be more than 13% in countries such as Estonia or almost 16% in Lithuania. This may be explained by the low requirements on credits. For example, Serbia not only has one of the lowest proportion of loans requiring a collateral, but also the value of the collateral needed for a loan in Serbia is relatively low compared to its regional peers (Figure III.3.2).

Figure III.3.2 Serbian firms with the highest number of bank loans across the Western Balkans (2019)



Source: Enterprise Surveys database.

Note: Data for Bulgaria and Slovak Republic from 2013.

116. Despite of this, access to finance was identified as the top five biggest obstacle for Serbian firms (Figure I.4, above). During 2019, 5.5% of firms in Serbia reported access to finance as a major constraint. This percentage is almost 7% for small-sized businesses and goes up to 10% among firms from the Vojvodina region.²⁶¹ In fact, while more than 73% of Serbian large firms had a bank loan/line of credit in 2019, this figure decreases significantly for SMEs (48.9% for small and 58.9% for medium). In the DB’s Getting a Credit indicator, Serbia ranks 67th out of 190 countries.²⁶²

117. There are two important aspects that affect credit availability in a country, the regulatory framework on borrowers’ and lenders’ rights, as well as the depth of credit information. Regarding

²⁵⁸ Legatum Institute. 2021. *Op. cit.*

²⁵⁹ European Commission. 2022. *Op. cit.*

²⁶⁰ World Bank. 2019. “Enterprise Surveys.” *Op. cit.*













²⁶¹ *Ibidem.*

²⁶² *Doing Business* database.

the first aspect, research suggests that in countries where the legal regime for security interests in movable property contains a predictable priority system and efficient enforcement mechanisms in cases of loan default, credit to the private sector represents on average 60% of GDP, compared with only 30% to 32% for countries without these creditor protections. In such countries, for a given level of cash flow, borrowers with collateral receive on average nine times the level of credit as borrowers without collateral. They also benefit from repayment periods that are up to 11 times longer and pay interest rates that are up to 50% lower.²⁶³ In countries with registries for movable collateral, the number of firms with access to finance increases on average by 8%. These countries also showed lower interest rates and extension in loan maturity. The increase was even stronger for small firms, which often find it more difficult than bigger firms to access credit due to their lack of immovable assets.²⁶⁴

118. DB’s Getting Credit indicator evaluates the degree to which movable property can be effectively used as collateral, examines the protection of creditor rights, and assesses how bankruptcy priorities are determined. Serbia only scores six out of 12 points in the Strength of Legal Rights Index (SLRI) , showing opportunity for reforms, while the average score in the Western Balkans is 8.8, ECA (excluding high-income) 7.8, and 7STEEs 6.4.²⁶⁵ Table III.3.1 includes the 12 aspects measured by the SLRI, including the aspects where Serbia could improve.

Table III.3.1 Serbia’s performance on the Strength of Legal Rights Index

The law allows businesses to grant a non-possessory security right in a single category of movable assets, without requiring a specific description of collateral 	An integrated or unified legal framework for secured transactions exists, which extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy 
Security right may extend to future or after acquired assets (extending automatically to the products, proceeds and replacements of the original assets) 	The law allows businesses to grant a non-possessory security right in substantially all of its assets, without requiring a specific description of collateral 
Collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name 	A general description of debts and obligations is permitted in collateral agreements; all types of debts and obligations can be secured between parties; and the collateral agreement can include a maximum amount for which the assets are encumbered 
Secured creditors are paid first (e.g., before tax claims and employee claims) when a debtor defaults outside an insolvency procedure 	A notice-based collateral registry exist, in which all functional equivalents can be registered 
Secured creditors are paid first (e.g., before tax claims and employee claims) when a business is liquidated 	A modern collateral registry exist, in which registrations, amendments, cancellations and searches can be performed online by any interested third party 
The law allows parties to agree on out of court enforcement at the time a security interest is created; and the law allows the secured creditor to sell the collateral through public auction or private tender, as well as for the secured creditor to keep the asset in satisfaction of the debt 	Secured creditors are subject to an automatic stay on enforcement when a debtor enters a court supervised reorganization procedure; and the law protects secured creditors’ rights by providing clear grounds for relief from the stay and sets a time limit for it 

Source: *Doing Business* database.

119. Well-designed secured transactions systems and collateral registries offer more robust financial systems by promoting credit diversification, allowing banks and non-bank financial institutions to

²⁶³ World Bank Group. 2010. *Secured Transactions Systems and Collateral Registries*. Washington, D.C.: The World Bank Group.

²⁶⁴ Love, Inessa, María Soledad Martínez Pería, and Sandeep Singh. 2013. “Collateral Registries for Movable Assets. Does Their Introduction Spur Firms’ Access to Bank Finance?” Policy Research Working Paper No. 6477. Washington, D.C.: The World Bank Group.

²⁶⁵ *Doing Business* database.

provide credit (reducing the dependence on bank credit) and relying less on real estate collateral. Given the lack of reforms on the leasing sector in Serbia, as well as the no progress on the microfinance institutions legal framework, the non-banking financial institutions continue to be largely absent in the country.²⁶⁶ For example, as recorded by DB, between 2004 and 2020 only two reforms on credit secured transactions were implemented in 17 years by Serbia; one in 2006 when the collateral registry became operational and the other in 2008, when the New Law on Personal Data Protection established the guaranteed for borrowers to review their own data.²⁶⁷

120. Credit reporting systems are essential to facilitating access to financial services for SMEs. When comprehensive credit infrastructures are available, efficient, and reliable, the cost of financial intermediation falls; financial products and services become accessible to greater numbers of borrowers; and lenders and investors have greater confidence in their ability to evaluate and price risk. DB's Getting Credit indicator also measures the coverage, scope, and quality of credit information available through credit registries and credit bureaus. Serbia scores seven out of eight points in the Depth of credit information index, just behind Latvia and Lithuania from the Western Balkans and 7STEEs regions.

121. Research suggests that risk is lower, while profitability is higher, in countries where lenders share borrowers' information through credit bureaus and registries.²⁶⁸ Well-functioning credit reporting systems can help to reduce adverse selection and moral hazard, as well as contribute to both an expansion of credit and reduction in lending costs by facilitating the adoption of lending technologies based on credit scoring models. The development of credit information systems is particularly important for smaller firms, given the more severe problems of information opacity and asymmetry in these cases.

Complying with tax obligations ●

122. Efficient tax administration can contribute to expanding the tax base, decreasing evasion, and increasing tax revenues. The efficiency of the tax administration system is critical for businesses. A low cost of tax compliance and efficient tax-related procedures are advantageous for firms. Tax compliance systems should be designed so as not to discourage businesses from participating in the formal economy.²⁶⁹ Overly complicated tax systems are associated with high tax evasion.²⁷⁰ High tax compliance costs are associated with larger informal sectors, more corruption, and less investment.²⁷¹ For example, the AmCham's 2022 Lap Time Survey reports that predictability of fiscal and parafiscal levies will be the biggest challenge in 2023 for 21% of AmCham members and for 37% of MSEs.

²⁶⁶ European Commission. 2022. *Op. cit.*

²⁶⁷ *Doing Business* database.

²⁶⁸ Houston, Joel, Chen Lin, Ping Lin, and Yue Ma. 2010. "Creditor rights, information sharing, and bank risk taking." *Journal of Financial Economics* Volume 96, Issue 3 (June): 485–512.

²⁶⁹ Djankov, Simeon, Tim Ganser, Caralee McLiesh, Rita Ramalho, and Andrei Shleifer. 2010. "The Effect of Corporate Taxes on Investment and Entrepreneurship." *American Economic Journal*, 2(3): 31-64.

²⁷⁰ Beck, Thorsten, Chen Lin, and Yue Ma. 2014. "Why Do Firms Evade Taxes? The Role of Information Sharing and Financial Sector Outreach." *The Journal of Finance* 69(2): 763-817.

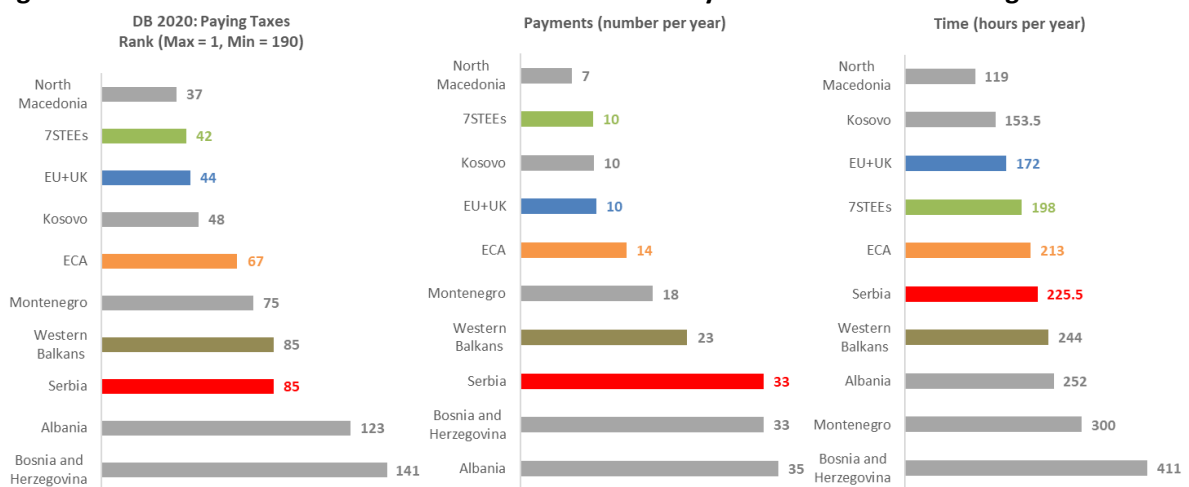
²⁷¹ Fisman, Raymond, and Jakob Svensson. 2007. "Are corruption and taxation really harmful to growth? Firm level evidence." *Journal of Development Economics*, 83(1): 63-75; Belitski, Maksim, Farzana Chowdhury, and Sameeksha Desai. 2016. "Taxes, corruption, and entry." *Small Business Economics* 47: 201–216; Okunogbe, Oyebola Motunrayo, Poulouen, and Victor Maurice Joseph. 2018. "Technology, taxation, and corruption: evidence from the introduction of electronic tax filing." *Impact Evaluation Series*, Policy Research working paper WPS 8452. Washington, D.C.: World Bank Group; Bond, Stephen, and Jing Xing. 2015. "Corporate Taxation and Capital Accumulation: Evidence from Sectoral Panel Data for 14 OECD Countries." *Journal of Public Economics* 130: 15-31.

Moreover, 33% of AmCham members and 41% of MSEs identify “Transparent and predictable tax system and efficient tax administration” as a priority reform for long-term economic growth.²⁷²

123. More than a tenth of Serbian large firms identified tax administration as a major constraint in 2019. The WB’s Enterprise Surveys found that on average, 4.6% of firms in Serbia considered tax administration as a major constraint, but among large firms this figure was 11% and more than 7% for medium-sized companies.²⁷³

124. Research suggests that an important determinant of firm entry is the ease of paying taxes, regardless of the corporate tax rate. A study of 118 economies over six years found that a 10% reduction in the tax administrative burden—as measured by the number of tax payments per year and the time required to pay taxes—led to a 3% increase in annual business entry rates.²⁷⁴ As measured by DB, together with Albania, Bulgaria, and Bosnia and Herzegovina, Serbia has one of the most burdensome tax systems across the ECA region.²⁷⁵ Serbia ranks in the DB’s Paying Taxes indicator 85th out of 190 countries, being the number of payments per year and the time to fulfill with tax obligations its areas with most opportunity for improvement (Figure III.3.3).²⁷⁶

Figure III.3.3 Serbia has one of the most burdensome tax systems across the ECA region



Source: *Doing Business* database.

Note: ECA region excludes OECD high income countries.

125. According to a study based on the Standard Cost Model (SCM) methodology, in 2019 total administrative costs in Serbia represented around 3% of GDP, where more than 71% of this cost comes from taxes and bookkeeping obligations.²⁷⁷ Tax and bookkeeping obligations are among the top 15 costliest administrative requirements where it is estimated that they amounted to almost RSD 78,000 million in 2019. Some of these administrative procedures/requests are bookkeeping, audits, invoice keeping and issuing, preparation of financial statements, value added tax (VAT) calculation, payment of corporate income tax (CIT), compulsory social insurance contributions for entrepreneurs,

²⁷² American Chamber Serbia. 2022. *Op. cit.*

²⁷³ World Bank. 2019. “Enterprise Surveys.” *Op. cit.*

²⁷⁴ Braunerhjelm, P., and J. E. Eklund. 2014. “Taxes, Tax Administrative Burdens and New Firm Formation.” *KYKLOS* 67: 1–11.

²⁷⁵ The Paying Taxes indicator looks at a domestic medium-sized business (in the manufacturing sector) and records: (i) the total taxes and mandatory contributions payable, (ii) the administrative burden of making all payments, and (iii) the compliance burden of post-filing procedures.

²⁷⁶ *Doing Business* database.

²⁷⁷ World Bank. 2022. “Recommendations for Improving the Regulatory Business Environment in Serbia.” *Op. cit.*

among others. For example, SMEs had reported that the eArchive initiative has not generated the expected benefits since new regulations establish obligations for filling and keeping documentation in paper.²⁷⁸

126. Similarly, the private sector has raised concerns on reporting obligations established in the Law on Accounting. In 2021 this Law made mandatory new financial reporting rules to 250,000 companies, and as of January 2023, these rules apply to all accounting services providers. Additionally, companies with more than 500 employees have to prepare non-financial statements.²⁷⁹ NALED has recommended in its Grey Book 2022 to abolish both the obligation to verify entrepreneur's business books, as well as the obligation to complete and submit the POPDV form.²⁸⁰

127. Despite the efforts from the Serbian central government on enabling the submission of taxes online, municipal taxes have to be submitted in paper. Since 2014, the GoS introduced electronic filing of VAT and social security contribution returns. Currently, electronic filing of social security contributions, CIT, and VAT is mandatory.²⁸¹ Nevertheless, municipal charges and environment protection and enhancement fees cannot be declared online. Since these are submitted on a monthly basis, this adds 24 different payments per year. Additionally, the property tax cannot be paid online neither, adding four more payments since this tax is paid on a quarterly basis.²⁸² The business community have been suggesting for 10 years the creation of a public electronic registry of non-tax levies.²⁸³ As a consequence, it will be necessary to amend the Law on the Budget System to create such electronic registry, in which non-tax levies of all levels of government could be submitted online. In addition, it would be necessary to review the existing methodology for determining the amount of fees so they can be homogenized among the different local self-government units.²⁸⁴ On the other hand, SMEs has suggested that the Central Registry of Compulsory Social Insurance (CROSO) should allow businesses to cross check employment history of the potential employees.²⁸⁵

128. Although social contributions, VAT and CIT can be submitted online, there are still areas for improvement in these areas. Based on data from the EU's eGovernment Benchmark, websites for these three services allow for: online authentication, use of a national electronic identification, and submission of electronic documents, among others. However, these portals do not allow to track the progress of the user's submission, no delivery times are published, and no maximum time limit delivery is specified. Also, while filing the CIT, the online platform does not allow users to save the declaration as a draft and come back later.²⁸⁶

129. Twenty-four percent of Serbian companies identified tax rates as a major constraint during 2019.²⁸⁷ Measured as percentage of profit, DB estimates that the total tax and contribution rate for companies in Serbia is 36.6%. While this is less than the average total rate of EU+UK (39.7%), is higher than the Western Balkans (24.6%) and the ECA (31.7%) regions. SMEs report that not only there are a

²⁷⁸ World Bank. 2022. "Appendices for the Draft Strategy for Development: Small and Medium-Sized Enterprises and Entrepreneurs (SMEs) 2023-2027." Meeting at the Serbian Chamber of Commerce, September 6, 2022, organized by the Center for European Policies (CEP).

²⁷⁹ European Commission. 2022. *Op. cit.*

²⁸⁰ National Alliance for Local Economic Development. 2022. *Grey Book. Op. cit.*

²⁸¹ Tax Administration (<https://www.purs.gov.rs/>) and Central Registry of Compulsory Social Insurance (<https://www.croso.gov.rs/cir/index.php>).

²⁸² *Doing Business* database.

²⁸³ National Alliance for Local Economic Development. 2022. "Priorities". *Op. cit.*

²⁸⁴ National Alliance for Local Economic Development. 2022. *Grey Book. Op. cit.*

²⁸⁵ World Bank. 2022. "Validation" *Op. cit.*

²⁸⁶ European Commission. 2022. *eGovernment Benchmark 2022. Op. cit.*

²⁸⁷ World Bank. 2019. "Enterprise Surveys." *Op. cit.*

large number of levies but also that they are costly for small business since these are applied the same to all business, regardless the company's size or type of activity.²⁸⁸

130. Delays on VAT refund can cause cash flow concerns for companies. The most efficient systems are those where the VAT refund can be claimed as part of the regular VAT filing with no additional information requirements. Tax authorities are increasingly using technology to match input VAT reclaimed by companies on their purchases with the output VAT collected by suppliers and paid to tax authorities. Such systems have the potential to reduce delays in making refunds and to minimize the need to audit individual refund claims.

131. Serbia has the second highest performance across ECA in the DB post-filing index. This index measures the time businesses spend obtaining a VAT refund as a result of a large capital purchase, as well as completing a CIT correction triggered by an error in the CIT return that led to an underpayment of the tax due.²⁸⁹ With 93.2 out of 100 points and just behind Türkiye, Serbia has the second highest score in ECA and above the EU+UK average score of 84.3. This outcome is a result of the short time to comply with VAT refund requirements (4 hours), as well as the 4.5 hours needed to comply with a CIT correction.²⁹⁰

Figure III.3.4 Likelihood of VAT audit (triggered by a VAT refund request) across Europe



Source: *Doing Business* database.

Note: *No VAT includes countries where VAT does not exist, or VAT refund does not apply to the DB case scenario.

132. Yet, Serbian entrepreneurs have to wait 10 weeks to get their VAT refund. In 2018, internal deadlines to refund VAT credits were introduced in Serbia and the tax authority must process VAT refunds in 45 business days (seven weeks) between the moment taxpayers file a VAT return claiming a refund and the moment taxpayers receive a VAT refund. Nevertheless, although this improvement decreased the time from almost 15 weeks, private sector experts report that in practice the VAT refund takes 10 weeks and not seven. This delay could be explained due to a VAT cash refund request is likely to trigger an audit. In the ECA region, most countries audit 50% or more cases, and 10 economies audit between 75% and 100%, including Serbia (Figure III.3.4). In contrast, most OECD high-

²⁸⁸ World Bank. 2022. "Appendices" *Op. cit.*

²⁸⁹ Post-filing processes were added to the indicators in *Doing Business 2017* as claiming a VAT refund or undergoing a tax audit can be the most challenging business interactions with tax authorities.

²⁹⁰ *Doing Business* database.

income economies carry-out VAT audits in less than 50% of cases.²⁹¹ According to Enterprise Surveys data, more than 44% of Serbian firms were visited or required to meet with tax officials during 2019. This burden is higher for large firms with almost 65% of them reporting that they were visited by tax authorities—the same situation is reported by 60% of firms from the South Serbia region.²⁹² More recently, NALED has recommended to shorten the VAT refund deadlines to 15 days by amending Article 52 of the Law on VAT and by introducing automatic VAT refund for low-risk taxpayers.²⁹³

133. The GoS had implemented important tax reforms during the recent years. Besides changes to the Law on Accounting aforementioned, amendments to the Law on Contributions for Compulsory Social Insurance, Law on CIT, and to the Law on Auditing have been approved. Furthermore, the Laws on Fiscalization and on Electronic Invoicing were enacted. Important achievements are the e-fiscalization system introduced in May 2022, as well as the preparation of the e-invoicing system that is expected to be fully operational by early 2023.²⁹⁴ Despite these improvements, the FIC's White Book reports no progress on longstanding tax issues, giving a score of 1.04 (from a one to three points scale). The areas with less progress are the CIT, Personal Income Tax, VAT, Property Tax, and Parafiscal charges, all with a score of 1.0 point; followed by Tax procedure with a score of 1.11 points.²⁹⁵ Additionally, SMEs have indicated some concerns since the implementation of these new laws and systems will increase the costs of accountants' services.²⁹⁶ SMEs have also suggested that the GoS should merge some taxes and contributions into unified payments.²⁹⁷

134. Between July 2021 and June 2022, the Tax Administration recruited 58 staff and the process of hiring 288 temporary positions is still ongoing.²⁹⁸ Nevertheless, the EU still reports that the tax authority still lacks staff and administrative capacity given the high number of retirees, as well as challenges on retaining personnel given the competitive pressure from the private sector. Additionally, appeal procedures on tax decisions remain lengthy.

Courts' efficiency to resolve commercial disputes ●

135. Research shows that economies in which courts can effectively enforce contractual obligations, have more developed credit markets and a higher level of overall economic development.²⁹⁹ Improvements in court efficiency are associated with a lower share of the informal sector in the overall economic activity, increased investor confidence and increased bank financing of firms for new investment.³⁰⁰ Reforms in other areas, such as creditors' rights, can increase bank lending only if

²⁹¹ Eighteen out of 34 of economies in the OECD high income group will not carry-out VAT audits under the DB case study parameters. Conversely, twelve OECD countries audit between 50% and 74%, and only Canada, Denmark, and Norway audit 75% of more cases. The United States does not have VAT.

²⁹² World Bank. 2019. "Enterprise Surveys." *Op. cit.*

²⁹³ National Alliance for Local Economic Development. 2022. *Grey Book. Op. cit.*

²⁹⁴ International Monetary Fund. 2022. "Republic of Serbia: Third Review Under the Policy Coordination Instrument, Request For a Stand-by Arrangement, and Cancellation of the Policy Coordination Instrument—Press Release; Staff Report; and Statement by the Executive Director for The Republic Of Serbia." IMF Country Report No. 22/384. Washington, D.C.: IMF.

²⁹⁵ Foreign Investors Council. 2022. *Op. cit.*

²⁹⁶ World Bank. 2022. "Validation" *Op. cit.*

²⁹⁷ World Bank. 2022. "Appendices" *Op. cit.*

²⁹⁸ European Commission. 2022. *Op. cit.*

²⁹⁹ W. Dam, Kenneth. 2006. "The Judiciary and Economic Development," *John M. Olin Law & Economics. Working Paper 287, Second Series.* Chicago: University of Chicago Law School.

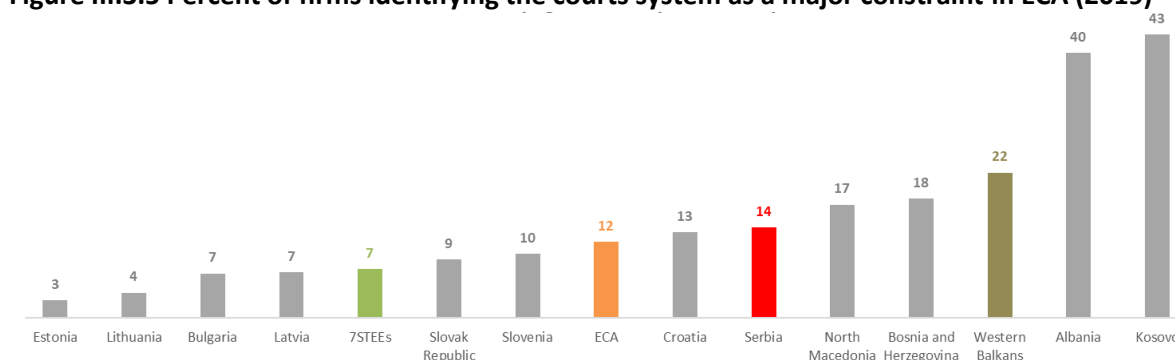
³⁰⁰ Among other papers, see Ramello, G.B., and S. Voigt. 2012. "The economics of efficiency and the judicial system," *International Review of Law and Economics*; Ahlquist, John, and Aseem Prakash. 2010. "FDI and the costs of contract enforcement in developing countries," *Policy Sciences*, Springer, vol. 43(2), pages 181-200, June; Love, Inessa. 2011. "Settling Out of Court: How Effective is Alternative Dispute Resolution," *Viewpoint Note No. 329, October.* Washington, D.C.: World Bank.

contracts can be enforced before the courts.³⁰¹ A stronger judiciary is also associated with more rapid growth of small firms.³⁰²

136. AmCham’s 2022 Lap Time Survey found that 65% of AmCham members and 44% of MSEs perceive effectiveness of the judiciary as low or very low, being the main complains lengthy court proceedings, unevenness of treatment, and impossibility of electronic communication with judicial authorities. Furthermore, 57% of AmCham members and 37% of MSEs identify “Effective judiciary and rule of law” as a priority reform for long-term economic growth. Other areas of improvement refer to lack of adequate knowledge of judges/specialization of judges and insufficient systematization of court practice.³⁰³

137. Data from the Enterprise Surveys shows that 14% of Serbian firms identified the courts system as a major constraint in 2019, above the 7STEEs and ECA averages (Figure III.3.5). However, there are differences by firm’s size and geographical location. For example, while between 11% and 12% of medium and large companies consider the judicial system as a major constraint, this figure is more than 15% among small businesses. Furthermore, while this percentage is less than 8% across companies located in the Vojvodina region, in Belgrade is more than 21%.³⁰⁴

Figure III.3.5 Percent of firms identifying the courts system as a major constraint in ECA (2019)



Source: Enterprise Surveys database.

Note: Data for Bulgaria and Slovak Republic from 2013.

138. Weak institutions and lack of enforcement create an unpredictable environment for firms and investors, negatively impacting their propensity to invest. Among other aspects, investment in the private sector is constrained by the lack of enforcement of the laws related to contracts and property rights. Different benchmarks assess Serbia’s judicial effectiveness. For instance, Serbia scores 34 out of 100 points in the WEF’s GCI Efficiency of legal framework in setting disputes indicator,³⁰⁵ and 50.4 out of 100 points in the IEF’s Judicial effectiveness indicator (Figure III.3.6, left and center).³⁰⁶ Also, Harvard’s ICRG measures the strength and impartiality of the legal system, where Serbia scores 3.5 out of six points (Figure III.3.6, right).³⁰⁷

³⁰¹ Safavian, Mehnaz, and Siddharth Sharma. 2007. “When Do Creditor Rights Work?” World Bank Policy Research Working Paper No. 4296. Washington, D.C.: World Bank.

³⁰² Islam, Roumeen. 2003. “Do More Transparent Governments Govern Better?” Policy Research Working Paper 3077. Washington, D.C.: World Bank.

³⁰³ American Chamber Serbia. 2022. *Op. cit.*

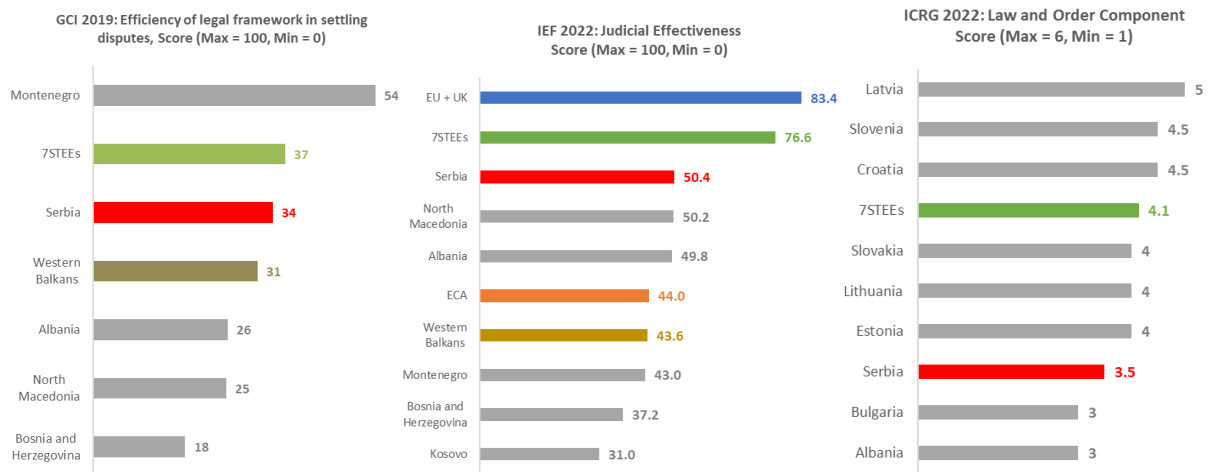
³⁰⁴ World Bank. 2019. “Enterprise Surveys.” *Op. cit.*

³⁰⁵ Global Competitiveness Index database.

³⁰⁶ The Heritage Foundation. 2022. *Op. cit.*

³⁰⁷ Harvard Dataverse. 2022. *Op. cit.*

Figure III.3.6 Courts efficiency and law and order across Europe

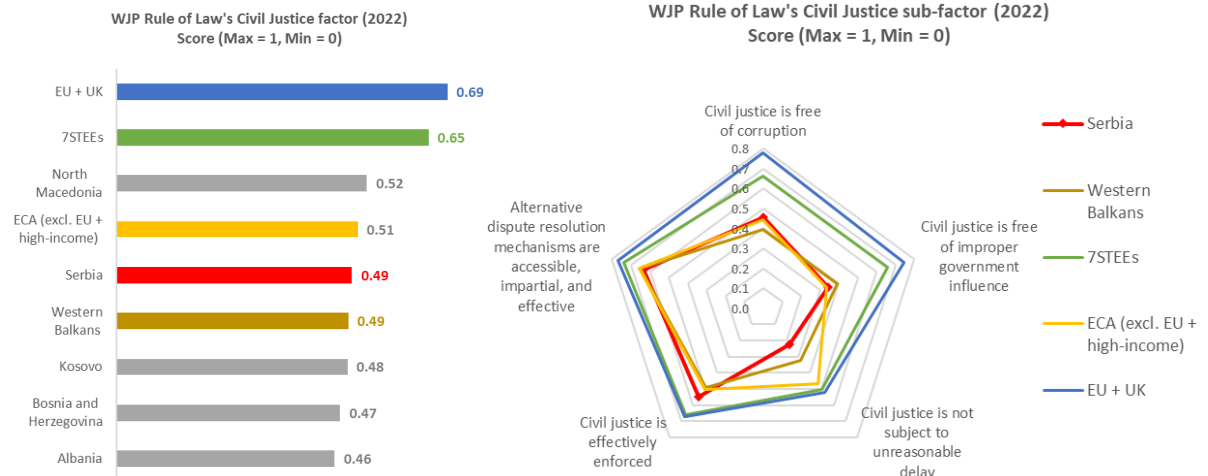


Source: WEF (left), The Heritage Foundation (center), and Harvard Dataverse (right).

Note: Data for Kosovo not available for the GCI and IEF. Data for Bosnia and Herzegovina, Kosovo, Montenegro, and North Macedonia not available for ICRG.

139. In the absence of efficient courts, firms make fewer investments and formal business transactions while informal transactions become more attractive. A study of 27 economies found that the informal sector’s share in overall economic activity decreased with better contract enforcement quality, evaluated by a countrywide measure of the rule of law, as well as by the firm’s perception of the fairness of courts.³⁰⁸ In the WJP’s Rule of Law Civil Justice factor, Serbia scores 0.49 out of one point, identifying strengths in areas such as alternative dispute resolution (ADR) mechanisms followed by civil justice enforcement. On the weaknesses’ side, Serbia underperforms most of its regional peers in delays of civil justice proceedings and improper government influence on the judiciary (Figure III.3.7).³⁰⁹

Figure III.3.7 Civil justice performance in Serbia (2022)



Source: World Justice Project.

Note: Data for Montenegro not available.

³⁰⁸ Dabla-Norris, Era, and Maria Gabriela Inchauste Comboni. 2008. “Informality and Regulations: What Drives the Growth of Firms?” IMF Staff Papers 55 (1): 50–82. Washington, D.C.: IMF.

³⁰⁹ World Justice Project. 2022. *Op. cit.*

140. In February 2022 the Constitution was amended with the objective to strengthen the independence and accountability of the judicial system. For instance, this reform grants the competence of judicial appointments to the High Judicial Council or the High Council of Prosecutors.³¹⁰ Still, the implementation of this reform will be carried out within the next two years and so far, prosecutors' and courts' expert working groups have been established in April 2022.³¹¹ Also, drafts of relevant laws³¹² have been completed and published on the Ministry of Justice's website.³¹³ Nevertheless, FIC's White Book reports no progress on the Judicial Proceedings area, getting a score of 1.0 (in a scale of 1-3 points). Among others, some remaining issues refer to the education of judges and better mechanisms for the liability of judges in wrongful decisions, flexibility of the timeframe and deadlines for certain actions, restrictive interpretation of concepts that allow delay of procedure, as well as the need of a non-resident bank account with a non-resident creditor when initiating enforcement proceedings.³¹⁴

141. Efficient contract enforcement is essential to economic development and sustained growth.³¹⁵ Similarly, good judicial quality promotes greater efficiency.³¹⁶ The DB report measures the time and cost for resolving a commercial dispute through local first-instance courts. Since 2004, disputes among business in Serbia are litigated in specialized commercial courts. Serbia's position in the Enforcing Contracts indicator is 65th out of 190 countries.

142. The main issues found by the Enforcing Contracts indicator are the time and cost. In 2019, a business had to wait 1.7 years (622 days) to solve a commercial dispute with another business.³¹⁷ The bottleneck is found in the trial and judgement phase. While the filling and servicing takes only 30 days, the trial and judgement takes 495 days. The enforcement of the judgement lasts on average 97 days. Although the total time in Serbia is shorter than the EU+UK (637 days) and 7STEEs (635 days) average time, it is longer than the ECA (excluding high-income) average (493 days) and almost twice the time in Kosovo (330 days). Estimates from the European Commission indicate that the highest number of backlog cases (86% of total) are in basic courts.³¹⁸ Given the substantial differences between courts' workload across the regions in Serbia, in January 2022 the Ministry of Justice introduced a case-weighting formula in all basic, higher and commercial courts.³¹⁹

143. Serbia is the fourth most expensive country in ECA to resolve a commercial dispute. Just below the Kyrgyz Republic, Ukraine, and Albania, enforcing a contract costs almost 40% of the value of the claim, more than double the average cost of the 7STEEs. The total cost is almost equally distributed among the attorney, court, and enforcement fees (Figure III.3.8).³²⁰ Surveyed companies by the

³¹⁰ With the exception of the appointment of the future Supreme Prosecutor.

³¹¹ European Commission. 2022. *Op. cit.*

³¹² The set of drafted legal instruments comprises: Draft Law on the High Council of the Judiciary, Draft Law on Judges, Draft Law on Public Prosecution, Draft Law on the High Council of Prosecutors, and the Draft Law on the Organization of Courts.

³¹³ National Alliance for Local Economic Development. 2022. "III Quarterly". *Op. cit.*

³¹⁴ Foreign Investors Council. 2022. *Op. cit.*

³¹⁵ Esposito, Gianluca, et al. 2014. "Judicial System Reform in Italy—A Key to Growth." IMF Working Paper 14/32. Washington, D.C.: IMF; Ahsan, Reshad N. 2013. "Input Tariffs, Speed of Contract Enforcement, and the Productivity of Firms in India." *Journal of International Economics* 90 (1): 181–92.

³¹⁶ Gramckow, Heike P., et al. 2013. "Caseflow Management: Key Principles and the Systems to Support Them." *Justice & Development Working Paper 23/2013*, Legal Vice Presidency, Washington, D.C.: World Bank; Gramckow, Heike P., et al. 2016. *Good Practices for Courts: Helpful Elements for Good Court Performance and the World Bank's Quality of Judicial Process Indicators*. Washington, D.C.: World Bank.

³¹⁷ *Doing Business* database.

³¹⁸ World Bank. 2020. *Op. cit.*

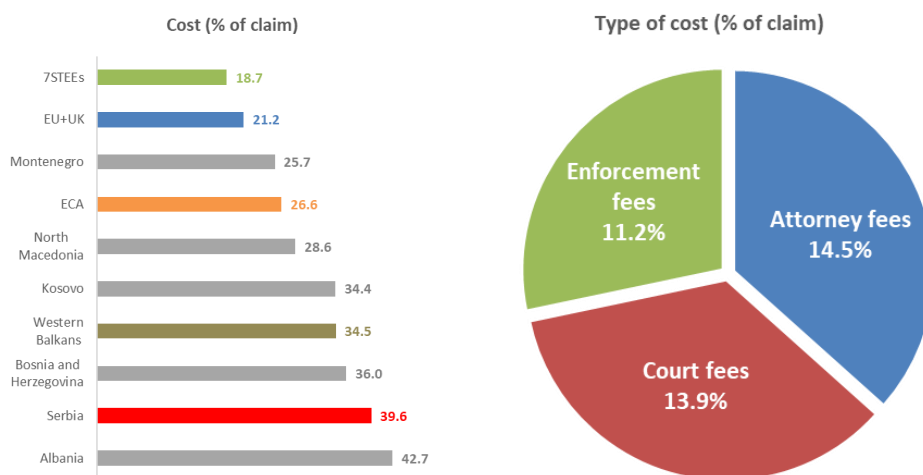
³¹⁹ European Commission. 2022. *Op. cit.*

³²⁰ *Doing Business* database.

AmCham consider that the introduction of the eCourt system could reduce time and costs.³²¹ In addition, it is suggested in NALED’s Grey Book the elimination of excessive court fees by amending the Law on Court Fees.³²²

144. Additionally, DB’s Quality of Judicial Processes Index (QJPI) measures whether economies have adopted a series of good practices in their court system in four areas: court structure and proceedings, case management, court automation, and ADR. These practices can result in a more efficient and transparent judiciary, greater access to justice, a smaller case backlog, and faster and less costly contract enforcement.³²³ Out of 18 points, Serbia scores 13.5 points in the QJPI, and together with the Slovak Republic and just behind Lithuania, is the second highest across the Western Balkans and 7STEEs.³²⁴ In the Court structure and proceedings, Case management, and ADR areas, Serbia performance is relatively high with five out of five points, 4.5 out of six points, and 2.5 out of three points, respectively. Still, more work is still pending. For example, during 2022 there was no progress on amending the Law on Mediation in order to increase the use of ADR mechanisms.³²⁵

Figure III.3.8 Cost to resolve a commercial dispute in Serbia



Source: *Doing Business* database.

Note: ECA region excludes OECD high income countries.

145. An opportunity reform area is court automation. In the QJPI’s Court automation area Serbia only scores 1.5 out of four points. This is because the initial complaint cannot be filed electronically through a dedicated platform within the competent court, neither is possible to carry out service of process electronically. Also, judgments rendered in commercial cases at all levels are not available to the general public through publication in official gazettes, newspapers or on the internet or court website.³²⁶ Additionally, the court case management system does not interlink the databases from the courts and prosecutors’ offices.³²⁷

³²¹ American Chamber Serbia. 2022. *Op. cit.*

³²² National Alliance for Local Economic Development. 2022. *Grey Book. Op. cit.*

³²³ Gramckow, Heike P., et al. 2016. *Op. cit.*

³²⁴ *Doing Business* database.

³²⁵ European Commission. 2022. *Op. cit.*

³²⁶ *Doing Business* database.

³²⁷ European Commission. 2022. *Op. cit.*

146. Another challenge is the misalignment between reforms in the judiciary system and the public administration reform. Since 2017, the Law on Electronic Document, Electronic Identification and Trust Services for Electronic Transactions considers a digital document as legally valid; however, these are not used in court proceedings.³²⁸ The private sector has suggested enabling the conduct of court proceedings based on submissions in electronic format, which will require amendments to different legal instruments: Law on Organization of Courts, Rules of Court, Law on Civil Procedure, Law on Non-Litigation Procedure, Code on Criminal Procedure, and Law on Enforcement and Security, among other secondary regulations.³²⁹

³²⁸ World Bank. 2022. "Recommendations for Improving the Regulatory Business Environment in Serbia." *Op. cit.*

³²⁹ National Alliance for Local Economic Development. 2022. *Grey Book. Op. cit.*

IV. Summary Table of Reform Areas

Based on the report’s findings, the table below presents a summary of reform areas for improving the business regulatory environment that affect firm’s life cycle in Serbia. These reform areas could facilitate firm entry and operation, and thereby make it easier for businesses and the overall economy to adjust for a faster recovery and renewed growth in the context of the COVID-19 crisis. The report also identifies reform areas related to insolvency proceedings and courts’ efficiency. Furthermore, the regulatory improvement and governance and the digital readiness are cross-cutting and impact almost all aspects of the regulatory environment, including the cost of doing business.

Each sub-topic is identified by a color code, which refers to Serbia’s performance on each business area and it is useful to define reform priorities. As such, the green color (●) refers to a high performance (or low priority for reform); yellow color (●) to a medium performance (medium priority for reform); and the red color (●) to low performance (high priority for reform). These reform priorities were defined based on Serbia’s relative position in each of the benchmarks included in the report. The threshold for the red color is defined whether Serbia is below the average ranking or score. Secondly, the yellow color is assigned if Serbia’s performance is within the second top quartile of each benchmark’s ranking or score. Lastly, green color is assigned when Serbia is located at the top quartile of the rankings or scores.

For example, the WEF’s Global Competitiveness Index measures a total of 141 countries (1 being the top performer). If Serbia’s ranking is at the 71st position or below, then it gets a red color. If its performance falls between 36th and 70th then it gets yellow, and between 1st and 35th, a green color is assigned. Similarly, if the score is defined between a 0-100 points scale (100 being the highest performance), the following color configuration is applied: 50 points or below is red, between 51 and 75 points is yellow, and 76 points and above is green. These thresholds are adjusted based on either the number of countries ranked or the scale of each score. It is important to mention that if a sub-topic includes different benchmarks, the color is a result of the simple average of such measurements (if these are in a different scale, they are first normalized to a scale from 0 to 100 in order to obtain the average).

Topic	Sub-topic / business area	Opportunities for improvement	Priority level
Regulatory governance and predictability in implementing laws and regulations	Regulatory reform tools	<ul style="list-style-type: none"> • Reports on regulatory reforms are not publicized on a regular basis • Distribution of proposed regulations to interested stakeholders are not carried-out in a systematic manner • Timeframes for publication of proposed regulations are not established in law • Not all adopted laws and secondary regulations go under a public consultation process • Implementation and systematization of the e-consultation platform needs further improvement • Results from the public consultation processes are not publicly available 	● Medium

		<ul style="list-style-type: none"> • Not possible for the general public to provide comments on proposed regulations anonymously • Lack of an agency or bureau responsible of the public consultation process' quality control • Lack of a formal mechanism for inter-institutional coordination across relevant agencies for a more efficient public consultation process • Timeframes for the consultation period of proposed regulations are not established in law • Lack of a criterion to define which proposed regulations are subjected to an impact assessment • <i>Ex-post</i> review of regulations is not established in law 	
	Regulatory Burden	<ul style="list-style-type: none"> • The “once-only” principle—which allows to submit only for one time a document or requirement—is not applied across all administrative procedures • Changes of regulations are unpredictable and too frequent • Lack of a coherent regulatory governance framework • Not all public agencies respond to information requests from the private sector • Implementation of the reform on access to information needs to be monitored to ensure that the administrative silence to citizens' and businesses' requests is effectively applied 	● Medium
	Control of corruption	<ul style="list-style-type: none"> • Firms are still experiencing bribe payment requests from public officials • Implementation of anti-corruption measures remains a challenge • High-level officials still fail to disclose their assets • Whistleblowers have not received adequate protection in high-profile cases • Regulations mandating the establishment of internal codes of conduct for private firms have not been enacted • Lack of the new version of the anti-corruption strategy and action plan (replacement of the 2013-2018 National Strategy for Fighting Corruption) 	● High
Digital Readiness	Electronic government maturity	<ul style="list-style-type: none"> • Limited data exchange across existing registries and lack of platforms' interoperability • Most governmental electronic portals are informational and not transactional • The digitalization of different public services was done without a common methodology limiting the opportunity for scalability and rollout to other services • The eArchive platform is not fully developed • Electronic payment for companies is still not fully digital since public agencies request documentation to prove that the payment was done from the bank account of the legal entity • Relatively low performance on transparency and digital public services compared to EU members • Challenges in the implementation of the digitization of several government services (e.g., eSignatures, construction permitting or tax administration) 	● Medium

	ICT Skills	<ul style="list-style-type: none"> • Lack of advanced ICT skills among citizens and public officials • Limited number of trainings on electronic business, especially for SMEs located in small locations 	● Medium
	Internet Use	<ul style="list-style-type: none"> • 20% of Serbian adults not using the Internet, especially in rural areas • 18% of Serbian households have no access to the Internet • Relatively low fixed broadband penetration rates compared to the 7STEEs 	● Low
	Telecom Infrastructure & Telecom services' affordability	<ul style="list-style-type: none"> • Lack of 5G mobile technology coverage • High prices of fixed broadband services • Relatively high prices of mobile broadband services compared to EU members • High prices of ICT equipment 	● Medium
	Intellectual Property Rights & Digital Business Models' Adoption	<ul style="list-style-type: none"> • Relatively low patent and trademark applications compared to the 7STEEs • Low levels of property rights' protection • Low levels of legal framework's adaptability to digital business models • Low levels of future orientation of government 	● High
	Electronic Commerce & Cybersecurity and Data Protection	<ul style="list-style-type: none"> • Relatively low levels of eCommerce compared to the 7STEEs • Only 19% of Serbian local governments had an act on information security and apply it consistently • Not enough staff to investigate abuses on credit card, eCommerce, and eBanking • Perception from SMEs that government apps for mobile devices are insecure 	● Low
Firm's Life Cycle: Entry & Exit	Business Entry	<ul style="list-style-type: none"> • Relatively low rate of new business density compared to the Western Balkans and 7STEEs • Low levels of Total early-stage Entrepreneurial Activity and entrepreneurial culture • Low levels of firms' growth expectations and expectations of jobs creation • Lack of a single window for company registration and existence of multiple administrative procedures across different agencies • Lack of an electronic system that covers the entire company registration process, where it is not possible to obtain online the company' registration digital certificate at the SBRA portal • It is not possible the electronic filling for changes of ownership • It is not possible to pay online all fees related to company incorporation • Lengthy process to obtain an operational license 	● Medium
	Business closure	<ul style="list-style-type: none"> • Perception from the private sector (especially SMEs) that closing a business is highly burdensome 	● High

		<ul style="list-style-type: none"> • The different documents and requirements necessary to close a business have their own time validity, which makes difficult to synchronize them 	
	Insolvency proceedings	<ul style="list-style-type: none"> • Costly insolvency proceedings • Relatively low recovery rates on insolvency cases compared to the Western Balkans and 7STEEs • Lack of full transparency on bankruptcy proceedings since in practice the follow-up of cases by interested parties becomes difficult since they do not have access to all documents • Courts still request proof of the existence of a legal interest, which is against the principle of public bankruptcy proceedings 	● Medium
Firm's Life Cycle: Getting a Location	Construction permits regulations	<ul style="list-style-type: none"> • Lack of time frames' standardization to obtain a construction permits across different regions in Serbia • Documentation of urban planning is incomplete and there is lack of content and format uniformity given the limited capacity of local self-government units and decentralized planning systems • Lack of transparency of land use conditions defined by public companies and institutions • Need to amend the Law on Planning and Construction in order to implement the eSpace and ePlan systems 	● Low
	Connecting to an electric network	<ul style="list-style-type: none"> • Lengthy process to connect to an electric network, especially for small companies • Relatively costly compared to EU members • On average, almost 50% of firms experienced electrical outages • Relatively low level of energy efficiency regulations compared to the Western Balkans and 7STEEs 	● Medium
	Buying land and quality of the land management system	<ul style="list-style-type: none"> • Bottlenecks for property registration at the Tax Administration (30 business days for the approval of the transaction value and of the transfer tax payment) and the Real Estate Cadastre (21 business days to issue the decision on the property title) • Not all property titles are in a fully digital format across Serbia • Records for property titles and cadastral plans are stored in separated databases • There is no independent mechanism for filing complaints about a problem that occurred at the agency in charge of the mapping or the immovable property registration • Not all privately owned properties are registered and mapped across Serbia • Approximately a third of buildings have not been constructed in accordance with the legislation • Lengthy process to resolve a land dispute between businesses over tenure rights for a property • Statistics on the number of land disputes in the first instance court are not publicly available 	● Medium

Firm's Life Cycle: Operations & Expansion	Licenses and permits	<ul style="list-style-type: none"> • 10% of large firms and 13% of medium companies identify business licensing and permits as a major constraint • There is no mandate to keep track of the total amount of national and local governments' permits and licenses necessary to operate a business • The "silence is consent" criterion usually does not apply to all permits, licenses, and approvals • Lengthy process to obtain an operational license 	● Medium
	Credit infrastructure	<ul style="list-style-type: none"> • Limited access to credit among SMEs • Lack of an integrated or unified legal framework for secured transactions • The law does not allow businesses to grant a non-possessory security right in substantially all of its assets, without requiring a specific description of collateral • A general description of debts and obligations is not permitted in collateral agreements; all types of debts and obligations cannot be secured between parties; and the collateral agreement cannot include a maximum amount for which the assets are encumbered • A notice-based collateral registry does not exist, in which all functional equivalents can be registered • Lack of a modern collateral registry exist, in which registrations, amendments, cancellations and searches can be performed online by any interested third party • Secured creditors are not subject to an automatic stay on enforcement when a debtor enters a court supervised reorganization procedure; and the law does not protect secured creditors' rights by providing clear grounds for relief from the stay and sets a time limit for it 	● Medium
	Complying with tax obligations	<ul style="list-style-type: none"> • Burdensome tax system compared to the ECA region • Large number of tax payments per year • Relatively high number of hours per year to fulfill with tax obligations compared to 7STEEs and EU members • Excessive and costly bookkeeping and financial reporting obligations • The eArchive initiative is limited since new regulations establish obligations for filling and keeping documentation in paper • Most municipal taxes and levies are filed in paper • Lack of a public electronic registry for non-tax levies • The platforms for VAT and CIT online filing do not allow users to track the progress of their submissions, no delivery times are published, and no maximum time limit delivery is specified • Relatively lengthy process to obtain VAT refunds 	● Medium
	Courts' efficiency to	<ul style="list-style-type: none"> • Weaknesses identified on civil justice proceedings and improper government influence on the judiciary 	● Medium

	<p>resolve commercial disputes</p>	<ul style="list-style-type: none"> • Relatively lengthy process to resolve a commercial dispute compared to the ECA region • Backlog cases in basic courts • Relatively high cost to resolve a commercial dispute compared to all Europe • In order to increase the use of ADR mechanisms, the Law on Mediation should be amended • Court automation is a challenge. Initial complaints cannot be filed electronically through a dedicated platform, neither is possible to carry out service of process electronically • Judgments rendered in commercial cases are not available to the general public through publication in official gazettes, newspapers or on the Internet or courts' websites • The court case management system does not interlink the databases from the courts and prosecutors' offices 	
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V. Data Sources

#	Benchmark	Institution	Year
1	Bertelsmann Stiftung	BTI Transformation Index	2022
2	European Commission	Eurostat Database	2021
3		eGovernment Benchmark	2022
4	e-Governance Academy	National Cyber Security Index	2021
5	Global Entrepreneurship Monitor	Adult Population Survey	Variable
6	GSMA	GSMA Mobile Connectivity Index	2021
7	Harvard & MIT	International Country Risk Guide	2022
8	Heritage Foundation	Index of Economic Freedom	2022
9	Institute for Economics and Peace	Global Peace Index	2022
10	International Labour Organization	ILO Statistics and databases	2021
11	International Monetary Fund	IMF Article IV Staff Reports	2022
12	International Telecommunications Union	ICT Development Index	2017
13		Digital Development Dashboard	2021
14		ICT Price Baskets	2021
15		Global Cybersecurity Index	2020
16	LawTech UK	Remote Courts Worldwide	Variable
17	Legatum Institute	Legatum Prosperity Index	2021
18	National Alliance for Local Economic Development	Regulatory Index of Serbia	2022
19	Organisation for Economic Co-operation and Development	Social Institutions and Gender Index	2019
20		Indicators of Product Market Regulation	2018
21	Portulans Institute	Network Readiness Index	2022
22	Property Rights Alliance	International Property Rights Index	2022
23	Statistical Office of the Republic of Serbia	Labour Force Survey	2022
24	Statistical Office of the Republic of Serbia	Annual indicators on business activities of enterprises	2020
25	Transparency International	Corruption Perception Index	2021
26	United Nations Conference on Trade and Development	B2C E-commerce Index	2020
27		Global Enterprise Registration	2021
28	United Nations	The World's Women report	2020
29		E-Government Survey	2022
30	World Bank Group	Worldwide Governance Indicators	2021
31		Doing Business	2020
32		World Development Indicators	2021
33		Global Indicators of Regulatory Governance	2018
34		GovTech Maturity Index	2022
35		Entrepreneurship Database	2020
36		Enterprise Surveys	Variable
37		Women, Business and the Law	2022

#	Benchmark	Institution	Year
38		Gender Data Portal	Variable
39		Digital Adoption Index	2016
40	World Economic Forum	Global Competitiveness Report	2019
41		Global Gender Gap Report	2022
42	World International Property Organization	Global Innovation Index	2022
43	World Justice Project	WJP Rule of Law Index	2022