PILLARS OF DEVELOPMENT

TRANSPORT

Serbia has a strategic position in the region regarding all modes of transport: road, railway, water and air transport. That is why, in 2019, the construction of international corridors, maintenance and modernization of existing infrastructure and harmonization of regulations with European standards has continued. Emphasis was placed on finishing the southern and eastern arms of Corridor 10, its extension to the Belgrade bypass, the opening of finalized sections on Corridor 11 and proceeding with its construction, the modernization of rail transport, the opening of new lines in air transport, the restructuring of ports and infrastructure companies. The activity in the transport system was not only technical, but also strategic, given the conclusion of bilateral intergovernmental arrangements as well as commercial agreements with foreign investors for future projects. All this has intensified infrastructure investments that have significantly contributed to economic growth.

This pillar has achieved some progress on all the recommendations set out in last year's White Book. As a result, transport as a whole ranked 4th in the Foreign Investors Council (FIC) rankings regarding the success in implementing recommendations in 2019. We also note that the average waiting time for this implementation has been reduced from 5.4 to 4.4 years, which indicates that transport remains a sector with long-standing problems, but also with great development opportunities.

ENERGY

This sector combines the generation and transmission of electricity, the market for renewable energy resources and the market for energy efficiency. Serbia has correctly completed the transposition of the European Union's (EU) Third Energy Package into the national legislation and fully liberalized the electricity market

As for the renewable energy market, a new incentive scheme for the generation and sale of renewable energy has been successful in 2019, and the wind segment, which is the largest in the region, was recently put into operation. Therefore, the implementation of the regulation has been extended until the end of this year. In the field of energy efficiency, several improvement projects have been successfully awarded to private investors for public lighting across Serbia, with the readiness of major cities to work on this

We note that the contracting of energy supply for households and small consumers has started to work, but at regulated prices which have not changed for two years. State power utility EPS is still a major supplier of electricity, although there are about 60 registered wholesalers. Belgrade-based South East European Power Exchange (SEEPEX) has increased its membership from 16 to 18 members.

The energy sector is ranked 22nd in the FIC rankings in 2019, which is a slightly worsened position compared to the previous year. Three of the recommendations are assessed to have had a certain progress, while two recommendations are without progress. We note that last year the White Book adjusted recommendations in this area, and consequently reduced the average waiting time for their implementation to only 1.1 years. This year the waiting time was extended to 1.8 years.

TELECOMMUNICATIONS

The stability and predictability of the business environment, as well as transparency in the decision-making process by the competent state and regulatory bodies, were key expectations of the telecommunications industry in 2019. They were partly achieved by passing the Law on Fees for the Use of Public Goods, by concluding a roaming agreement for the Western Balkans region, by adopting a new methodology for determining the annual fee for the use of radio relay links and defining relevant markets subject to prior regulation of operators with significant market power, in accordance with the regulatory framework of the EU. During 2019, IP interconnection has become a mandatory part of the standard offers for fixed and mobile termination, which will significantly improve the business and access to transmission capacities of public network operators. However, expectations regarding the adoption of the Law on Electronic Communications, together with supporting regulations and implied changes to existing practices, have not yet materialized.

According to the assessment of foreign investors in the field of telecommunications, there has been progress compared to the last year. The entire sector has visibly improved its position on the FIC rankings for 2019, by 11 places, and is now positioned in the 14th place. One recommendation has had significant progress, five have achieved certain progress, and three are with no progress.

DIGITALIZATION AND E-COMMERCE

This sector comprises electronic commerce, electronic identification and documentation, as well as electronic operations of administrative bodies, including interface between public databases. The Law on Electronic Gov-

ernance has been an umbrella regulation in 2019 that has structured the use of information technologies by the public administration, both at at state and local government level. It has encouraged electronic communication between citizens and the administration, and made it possible for the administration to avoid asking citizens to provide information it already has in its records.

Some other novelties have been introduced during 2019. With the adoption of a new Law on Trade and amendments to the Law on Electronic Commerce, the business models of trade with electronic stores, electronic platforms and dropshipping have been improved. Additionally, the positive effects of the Law on Electronic Document, Electronic Identification and Trust Services in Electronic Commerce, based on Serbia's incorporation of the EIDAS Regulation of the EU, have been identified. A number of by-laws have been adopted, laying down common requirements that must be met by trusted services, as well as technical standards for a qualified electronic signature creation device. Amendments to the Foreign Exchange Law have also resulted in progress in the field of electronic payments. In 2019, an instant payment system run by the National Bank of Serbia (NBS) - the IPS NBS system - has operated smoothly.

The Digitalization and E-commerce sector has advanced by 11 places in the FIC rankings in 2019 and is now ranked 21st. One recommendation has had significant progress, one certain progress, and three recommendations have continued with no progress in 2019.

REAL ESTATE AND CONSTRUCTION

As in last year's edition of the White Book, the implementation of the Law on Planning and Construction remains in the focus of the FIC, as well as the implementation of a unified procedure for obtaining building permits, the legalization of existing facilities in accordance with the new regulations, the conversion of rights to use on construction land into the ownership right and the application of regulations on the cadastre and cadastral procedure.

The sector as a whole is not homogeneous, and in the passits different segments performed differently. This has not been the case in 2019, when all parts of the sector have deteriorated with respect to the implementation of the recommendations proposed last year. The regulation or construction land and development was the leader in the

FIC ranking list for two years in a row. However, this sector has dropped from the 1st to 13th place during 2019. In itself, its score of 1.80 is not low, and the situation with the number of building permits issued is favorable because it has increased since the integrated procedure was introduced. Nevertheless, other sectors have advanced much more and improved their place in the reformers rankings. Something similar has happened with other real estate and construction sectors, whose scores are far lower compared with Construction Land and Development.

This situation has pushed the whole area ten places down from last year's position; it now occupies the 27th place in the White Book ranking. The change in the overall score is a negative -0.22 points. No recommendation has had significant progress, eight recommendations have made certain progress, and as many as ten recommendations are with no progress.

WORKFORCE AND HUMAN CAPITAL

There has been certain progress in the area of labour relations and the labour market in the last year. The whole area has improved from 53rd place to 46th place in the FIC rankings for 2019, raising the overall progress index from 1.05 points to 1.21 points. The absolute value of that score is low and unsatisfactory. Moreover, this is only due to certain progress in the sector of Staff Leasing, which has climbed to the 9th place in the ranking list, with the score 2.0. Out of the total number of recommendations in the whole area, none of the recommendations have made significant progress, four of them have had certain progress (out of which three in the Staff Leasing sector), and fifteen of them have seen no progress. The average waiting time for the implementation of recommendations has increased from 4.9 years to 6.3 years.

Separately, the Employment of Foreigners sector has had a negative progress (-0.17), while Temporary Work Abroad, Employment of Persons with Disabilities and the implementation of the Labor Law have had no progress compared to last year. Something similar has happened with Human Capital and Dual Education. They have had negative marginal scores, of -0.43 and -0.17, respectively.

As was the case in the previous year, in the FIC's view, the potential of the Workforce and Human Capital sector has obviously not been utilized as a pillar of development in 2019.