

FOREWORD EU

Dear reader,

It is a privilege to foreword for the third time the annual White Book of the Foreign Investors Council (FIC), now at its 2020 edition.

I am pleased to see that the hard work of the FIC has resulted in yet another White Book, particularly as the past months have proven to be anything but business as usual. Since its establishment in 2002, the FIC continues to impress. Its membership has grown from 14 to over 120 companies, including numerous EU businesses that represent nearly 70 % of all foreign direct investments in Serbia. Thanks to the FIC and its members, the EU receives valuable information on the opportunities and challenges faced by businesses operating in Serbia.

2020 is a tough year - for businesses and citizens alike. The pandemic has forced us to change old habits and adapt to new circumstances in search of a new normal. As businesses are struggling to cope with a new reality, the pandemic has reinforced the need for a well-functioning and predictable business climate for economic growth and stability.

To this background, the work of the FIC and the recommendations presented in this year's White Book are perhaps even more valuable than previous years.

The White Book, as one of the flagship initiatives of the FIC, remains a unique platform for dialogue between the authorities and the private sector, as well as a useful tool for domestic and foreign investors.

Being based on concrete experiences on the ground, it is of particular value in pin-pointing the Government and institutions alike on where to focus when working towards a better business environment in Serbia.

It is an equally important document for the EU, too. It supports the continuous assessing and monitoring of the business and investment climate in Serbia. It provides useful insight for the European Commission 2020 Annual Report preparation - which has just been published and shared with the Serbian Government and interested stakeholders - by providing a comprehensive assessment across all sectors.

The White Book complements the European Commission's Annual Report - a document which helps the Government to focus on EU integration reforms. This objective is shared

with the FIC. Both the Annual Report and the White Book confirm that the many reforms already undertaken go in the right direction towards EU integration.

Through past reforms, Serbia achieved very good results in addressing long-standing systemic weaknesses: macroeconomic stability, a stable inflation and increasing employment levels to mention a few. As a result, over the past ten years, inward foreign direct investments have increased by around 30 % and trade flows have more than doubled. Unfortunately, the ongoing crisis has forced some of this progress to take a few steps back. It is however important to recognise, that without the past years' reforms, the economic consequences of the pandemic in Serbia would have been even more severe. Thanks to all the work done over the past years, the negative impact on Serbia's economy has been kept at manageable levels. It is also thanks to past reforms that Serbia remains an attractive investment destination and that trade flows are already picking up despite continued uncertainty. Measures taken by the Government, such as the two EUR 5.1 billion and EUR 560 million economic recovery packages at large and SME- and sector-specific assistance, during this unprecedented crisis have also played an important role in this, still ongoing, recovery.

The EU membership reforms are helping businesses and citizens alike shielding from the harshness of the COVID-19 pandemic and the economy to rebound quickly and strongly.

The reform process must continue. As we are now in the midst of an health-induced crisis with a strong and negative impact on the socio-economic fabric of our society, good and sustainable reforms that are not only short-term solutions to temporary problems, but reforms that work also for the future, the next crisis, for the climate and for future generations have become more important than maybe ever before. It is therefore important for all relevant stakeholders, the Government in particular, to work on the key recommendations presented in the White Book 2020.

To make few examples:

First and foremost, in the rule of law area - fight against corruption, more transparency, independent and efficient judicial system, enforcement of contracts - all essential to a predictable business and investment climate paving the way to institutional trust and stable economic growth.

Secondly, increased transparency in the area of state aid, public procurement and bilateral international agreements is urgently needed. Furthermore, the role of public consultations in the law-making process is crucial. Businesses need to be consulted in an open, inclusive and transparent process in initiatives that affect them – despite some improvements, efforts need to continue.

Remaining weaknesses need to be addressed also in the fiscal governance framework, the public administration and the tax administration, as well as the role of the State in the economy.

Further improvements in the area of digitalization are also needed. Digitalization does not only cut red tape and administrative costs for businesses but also goes hand-in-hand with transitioning towards a greener economy in line with the European Green Deal.

The EU's and Serbia's commitment should continue. Through common, hard work, and with active support

from partners such as the FIC, this can be achieved. The EU will continue to stand by Serbia as its largest donor, investor and trade partner in this process. The Economic and Investment Plan for the Western Balkans that the EU has just unveiled represents a game changer to build the necessary connectivity and reinforcing the reform process needed to make the Western Balkans an even more attractive destination for European and global investments.

Dear friends,

as autumn 2020 now arrives, it does so under new circumstances. The annual report should be seen as the springboard for future reforms and the new Economic and Investment Plan for the Western Balkans will provide substantial and additional financial resources. The new Government in Serbia should make the best possible use of this combined policy and financial resource to completing Serbia's path towards becoming an EU Member State.

Sincerely,

Sem Fabrizi
Ambassador of the European
Union to the Republic of Serbia