PILLARS OF DEVELOPMENT

TRANSPORT

Serbia maintained in 2020 its strategic position in the region in all modes of transport: road, rail, air and water transport. The improvement of all types of transport continued this year, not only in the technical sense but also by concluding contracts with the executive authorities of the surrounding countries, as well as foreign investors. The three main characteristics of the state of transportation in the Republic of Serbia are the maintenance of the existing infrastructure, its modernization and harmonization with European standards.

However, the outbreak of the COVID-19 virus pandemic adversely affected the development of transport. The detention time at border crossings has been specially extended. The initiative to establish "Green Corridors", for now, is focused on the period in which there is an epidemic caused by COVID-19. Still, it should continue to support the established system even after the stabilization of the current situation

Progress has been made in road transport with the adoption of regulations in the field of hazardous goods and transport licenses, while rules related to the transportation of goods are already in line with European regulations. The railway sector is the area where the need for modernization is the highest at the moment. Waterways are also underused, as is their potential in the context of Serbia's international connectivity. The intermodal form of transport, with three partially built terminals, is a form of transportation that is still in its infancy. Therefore, significant investments in transport infrastructure are still needed in order to use its development potentials.

Foreign Investors Council proposed six recommendations in this area for improving the situation. Concerning priority of adopting the recommendations, the priority index is 2.0 (out of a maximum of 3.0), which indicates the need for continuous adjustment of transport infrastructure.

ENERGY SECTOR

This sector includes electricity generation and transmission, the market for renewable energy sources and energy efficiency. Serbia has fully adopted the regulatory framework in line with the EU's Third Energy Package and has dejure liberalized the electricity market.

In the case of renewable energy sources, a new package

of regulations to encourage the production and sale of renewable energy has not yet been adopted. In the field of energy efficiency, several energy efficiency improvement projects have been successfully awarded to private investors for public lighting throughout Serbia, with the readiness of large cities to work on it.

We emphasise that contracting energy supply for households and small consumers has started to work, but at regulated prices that have not changed for a long time. EPS (Serbian Electricity Company) is still the leading supplier of electricity, although there are about 60 registered wholesalers. The number of members on the SEEPEX electricity exchange increased from 16 to 18.

In terms of electricity supply and efficiency of its use, COVID-19 does not have any evident adverse impacts. However, a few days after the introduction of the state of emergency, EPS invoked a force majeure regime under power purchase agreements (PPAs) with privileged electricity producers. Consequently, the effects of PPA were suspended during the state of emergency.

Foreign Investors Council suggests eight recommendations in this area for improving the situation. Concerning priority of adopting the recommendations, the energy sector requires a rapid change. Index of priority implementation for recommendations is 2.63. That brings the energy sector to the top of the list of sectors for the necessary improvements in the coming period.

TELECOMMUNICATIONS

The synergy between the Government of the Republic of Serbia and electronic communications operators marked the activities in 2020 that was triggered by the coronavirus pandemic. The results of these activities had a positive impact on the entire society and economy of the Republic of Serbia since they enabled their successful functioning in conditions of the state of emergency throughout the country. The operators supported all the measures of the Government and made their resources available to achieve the general interest.

A crucial moment in the state of emergency was the sudden increase in domestic traffic that exceeded the existing capacities of the operators, as a result of which one of the main priorities was a significant investment in the network to ensure the expansion of capacity as soon as possible. At the same time, there has been a drastic decline in roaming traffic due to restrictions on the movement of people outside the territory of national borders around the world which has resulted in a reduction in operators' revenue.

Foreign Investors Council points out that the sector received a generous support from the Government in expanding network capacities and maintenance of the existing capacities during the state of emergency.

Foreign Investors Council proposes nine recommendations in this area for improving the situation. Concerning priority of adopting the recommendations, the telecommunications sector requires more continuous than rapid changes. In that sense, demand for introducing novelties in the next year is not high, with the priority index PI 1.78.

DIGITALIZATION AND ELECTRONIC BUSINESS

This sector includes e-commerce, electronic identification and documentation, as well as the operations of administrative bodies, including the connection of public databases. This year, the whole world suddenly began to adapt to the new situation caused by the appearance of the coronavirus and turned to e-business due to the completely changed way of life and business that we knew. Many positive changes have also taken place in Serbia. A large number of companies have launched working "from home", a larger number of citizens have started using the services of the e-Government portal, numerous new services have been developed, and administrative procedures that used to be sluggish has never been faster and more accessible.

The existing legal framework provides space for businesses to develop digital sales channels, as well as to protect the rights of consumers in the online environment. Although this type of commerce recorded significant growth in 2020, e-Commerce still has excellent potential for development, as only half of the citizens buy goods and services online.

There is a significant progress in the part of the National Bank of Serbia regulations that enables further digitalization of financial services. For example, in addition to the possibility of video identification of individuals, the identification of legal entities has recently been enabled. Through the national IPS payment system (Instant Payment System) using the QR code, it is possible to pay monthly bills, make purchases in retail outlets, as well as in online stores in a straightforward way.

In order to perform epidemiological surveillance related

to the COVID-19 virus, an integrated e-Health information system has been established. The goal of this system is to collect data on the number of people tested, infected, cured and died from the consequences of diseases caused by COVID-19 virus.

The Foreign Investors Council proposes five recommendations in this area for improving the situation. According to the Foreign Investors Council, there is still a need for the urgent adoption of the proposed recommendations, as the priority index is PI 2.20.

REAL ESTATE AND CONSTRUCTION

As in last year's edition of the White Book, the focus of the Foreign Investors Council remains the implementation of the Law on Planning and Construction, the implementation of a unified procedure for obtaining construction documents, legalization of existing buildings under new regulations, conversion of construction land use rights and cadastre regulations, and cadastral procedure.

advanced until the appearance of the coronavirus, the issue of land ownership and mixed forms of state and private land ownership remains a major obstacle to construction in Serbia. All procedures that were not digitized before the COVID-19 pandemic were significantly slowed down due to a reduction of the workforce in administration and working on distance. For example, this was evident in the work of the RGA. However, after the initial confusion, some progress has been made here in communication through the issuance of electronic real estate sheets and copies of plans.

The sector in general is not homogeneous, and its parts behaved differently as it used to be the case in the past. The most urgent changes were proposed in the area of mortgages and financial leasing (PI is 3.0), where the Foreign Investors Council gave only three key recommendations. In the area of restitution, there were four recommendations (PI is 2.5), while there are 10 recommendations for the improvement of the cadastral procedure (PI is 2.40). In the real estate and construction sector, the Foreign Investors Council identified seven recommendations, which require swift implementation (PI 2.48).

LABOUR AND HUMAN CAPITAL

There were no improvements in the previous year, although

they were expected, both through amendments to the Labour Law and in court decisions. All this was followed by the coronavirus pandemic, which fundamentally changed the labour market. The Government had to intervene with its decrees, recommendations and announcements, not only to apply incentives to maintain employment, but also to specify the rights and obligations of employees and employers in the new circumstances (work from home, the amount of benefits, the rights of employees in self-isolation, paid and unpaid leave, the rights of parents who have children up to 12 years of age, temporary incapacity for work, use of annual leave, etc.). Foreign Investors Council analysed all these issues in details and gave recommendations on how to improve the situation here.

According to official data, there is no increase in unemployment, i.e. at the time of the coronavirus, the formally registered employment increased. That does not correspond to the situation with the members of the Foreign Investors Council, nor does it coincide with many surveys of business people. In any case, the area of employment is significant and requires continuous monitoring of the situation. In human capital and dual education, the pandemic has also disrupted the quality of education and training of the workforce.

In the field of the labour market and labour relations, the Foreign Investors Council proposed six recommendations for improving the implementation of the Labour Law (PI is 2.33), as for the work of foreigners three recommendations (PI is 2.33), as well as three recommendations for sending employees abroad for a temporary position (PI is 1.33), and three recommendations for vocational rehabilitation and employment of persons with disabilities (PI is 2.0). Human capital has six recommendations of average priority (PI is 2.0), while dual education has five recommendations of high priority (PI is 2.6).