

GUIDE TO

FOREIGN INVESTORS COUNCIL



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125 YEARS
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Crises Give Birth To New Solutions

Even though we have continuity of government, there's no doubt that the set of measures the government will have to opt for will differ to the measures from the start of fiscal consolidation and the struggle against the consequences of the pandemic. This special edition presents a treasure trove of proposals for ways to utilise available resources effectively and wisely, preserve much-needed economic growth and create space for the society's green transition

After an extended period, the Government of the Republic of Serbia decided to seek a new agreement with the International Monetary Fund (IMF), prior to which it concluded a financial agreement worth a billion dollars with the United Arab Emirates, which will reportedly be used to settle old loan obligations and purchase gas and electricity. These two items of news already clearly demonstrate that we are returning to old topics – in an attempt to forestall the coming consequences of the spreading global crisis, which is this time spurred by the crisis in Ukraine, inflation and expected reductions in economic activity at the global level.

The continuation of fiscal consolidation, implementation of structural reforms with an emphasis on the privatisation and corporatisation of public enterprises, and the control of the budget deficit, which, among other things, await the new Government, will unfold under conditions of rising prices and inflationary pressures, possible energy supply crises and significant, deep-rooted problems that arise from the labour force's relatively low level of productivity. Much is stated in this publication about the necessary next steps if Serbia intends to preserve its macroeconomic stability and economic growth, primarily in interviews with representatives of international financial institutions.

Potential new aid packages – for both the economy and the population – will no doubt not be as lavish or broad in scope as was the case during the COVID-19 pandemic, because reserves have fallen significantly in the meantime. And even if the situation differed, a question would still arise as to the ultimate efficacy of the results of nonselective measures.

Crises are times in which dialogue, exchanges of experiences and expertise, as well as the identifying of new solutions, gain paramount im-



Crises are times in which dialogue, exchanges of experiences and expertise, as well as the identifying of new solutions, gain paramount importance. There is no doubt that the Government of the Republic of Serbia has at its disposal the resources that are available to business associations. The Foreign Investors Council, with a presence and activity in Serbia dating back two decades, has proven itself to be a reliable partner, but also a driving force in the development of a predictable, competitive and sustainable environment for doing business, promoting Serbia as an excellent place to invest

portance. There is no doubt that the Government of the Republic of Serbia has at its disposal the resources available to business associations. The Foreign Investors Council, with a presence and activity in Serbia dating back two decades, has proven itself to be a reliable partner, but also a driving force in the development of a predictable, competitive and sustainable environment for doing business, promoting Serbia as an excellent place to invest. As a unified voice of investors who have to date invested huge funds in Serbia and created around 100,000 jobs, the FIC remains consistent in its quest to find new opportunities to contribute to Serbia's overall socioeconomic

progress. The Council's White Book represents one such document, which continuously monitors the advances of the business climate in various areas, but also represents a roadmap for further change.

All times, even those that are most difficult, bring some positive changes. Accordingly, COVID-19 served to significantly accelerate digitalisation and today represents the motor for the transformation and growth of many companies, as is also discussed in this edition. There is also reason to believe that the current crisis could lead to another positive shift, in terms of the green transition.

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I Choose To Be **An Optimist**

The country needs strong economic growth through sustainable fiscal consolidation and the continued privatisation and corporatisation of public enterprises and the reform of public administration. This will all have a significant impact on overall macroeconomic indicators. The situation may appear challenging, but I'm an optimist



Economies worldwide have been rocked by several events, including the pandemic, the situation in Ukraine, rising prices and market changes. Recovery from the pandemic was expected to continue in 2022 and 2023, aided by an upsurge in vaccination and macroeconomic measures. However, according to Mike Michel, president of the Foreign Investors Council and CEO of Yettel, “the latest events will force many governments to think about energy prices, diversifying energy sources and ways to increase efficiency wherever possible.”

We are going through challenging times at the global level, with the impact being felt by each and every economy. What would you suggest to the Serbian government in its efforts to further improve the business environment?

Economies around the world have been hit by a range of factors, including the pandemic, the situation in Ukraine, rising prices and

market shifts. Prior to the recent conflicts, global recovery from the pandemic had been expected to continue in 2022 and 2023, helped by continued progress in vaccination efforts and supportive macroeconomic policies. The latest events will force many governments to think about energy prices, to diversify energy sources and to increase efficiency wherever possible.

When it comes to efficiency, there are things we can do to improve the business environment in Serbia, regardless of the circumstances. The country needs strong economic growth enabled by sustainable fiscal consolidation. This can be made sustainable through the implementation of deep structural reforms. The privatisation and corporatisation of public enterprises and reform of public administration will have a significant impact on overall macroeconomic indicators. I would suggest that the Government keep this as its priority in the challenging times we are facing, as well as to continue insisting on digitalisation. We want Serbia to have a predictable busi-

TOURISM

It is essential that we improve Serbia's competitiveness as a tourist destination, which is why our newly established Tourism and Hospitality Working Committee is there to establish a close dialogue with institutions

CONSISTENCY

The Foreign Investors Council's biggest achievement is the fact that we have been the permanent, consistent and unified voice of more than 120 top companies in Serbia for 20 years

ECOLOGY

Green is the key word for growth, jobs and health. Investing in the environment and climate change is investing in the future, because the cost of inaction would be immeasurable

ness environment, to accelerate reforms, and to work on sustainable fiscal consolidation and the implementation of laws. We need to motivate businesses by creating a business-friendly environment with reduced bureaucracy. Even though the pandemic accelerated digitalisation like never before, even though we have the highest number of electronic transactions, the greatest usage of digital wallets, and much more, there are still things that we can improve in order to have an even more digitalised society. Things may appear challenging, but I am an optimist; I choose to be one.

Serbia's macroeconomic policy is, to a large extent, more connected to the EU enlargement process today than ever before. Given your expertise in this field, what would you single out as the major areas that need to be aligned with EU standards?

It goes without saying that all our concrete proposals and actions are aimed at the harmonisation of domestic and EU legislation. EU integration must be our key priority. This is as important for Serbia as it is for the entire region. Digitalisation, transport, infrastructure, tax administration, trade, and construction are just some of the areas in which we share common interests, and we can learn a lot from the EU.

In 2021, the Serbian economy remained closely integrated with the EU, as Serbia's most important trading partner. The EU accounted for about 61% of Serbia's total trade in 2021. EU investors remain leaders in Serbia, with 68% of total FDI between 2010 and 2020.

On the flip side of that coin, in which areas would EU support be most beneficial to Serbia?

What would benefit us most is to continue having the EU as an ally when it comes to making Serbia a great place to invest. We must continue working together on securing a stable and predictable business environment, fair competition, a level playing field – generally doing everything possible to improve the Serbian investment and business climate.

When it comes to improving the business climate, what were the major achievements of the Serbian Government in the period behind us, and what lessons can be learnt from these examples?



All our concrete proposals and activities are aimed at harmonising our legal regulations with the European Union. EU integration must be our key priority, both for Serbia and the entire region. What's most important is for the EU to continue to be an ally when it comes to investments in Serbia

The business community expects that even faster reforms will continue as soon as possible. We are fully aware of all the challenges that the Serbian Government is facing. However, our priority is, and will remain, the improvement of the business environment in Serbia, because we believe that this is the only way to improve the overall state of the Serbian economy in the long run. So, again, continuing and accelerating accession negotiations with the EU, along with work on sustainable fiscal consolidation and an improvement in implementing laws. Anything that has been prescribed in legislation must be applied, rapidly and without exemptions.

How important has the joint FIC-Serbian Government Task Force function been in the period behind us, and what do you expect when it comes to the implementation of FIC recommendations in 2022?

The Task Force has become an institutional mechanism for continuous and successful dialogue between the Government and business. It is the keeper and guardian of our dialogue, making sure that we track the processes and that everybody is doing their part of the job. The FIC won't stop looking for new opportunities to help and contribute, while the Task Force is here to help us make sure we are all on track.

Looking back to your association's work over the past two decades, what would you single out as the FIC's key regulatory achievements during this period?

When I look back at the past two decades, I would say that our biggest achievement has not been one thing, one regulation that has been improved, or one law, but the fact that, for 20 years, we have been the permanent, consistent and unified voice of more than 120 top companies in Serbia; our strength is that we are able – quickly and with flexibility and expertise – to give recommendations on how to overcome any crisis, always having in mind the benefits for all sides.



The strength of the Foreign Investors Council is that we are able to quickly, effectively and expertly give recommendations on how to overcome any crisis, always having in mind the benefits for all sides

Foreign investments make up 40% of all investments in Serbia, with EU businesses representing almost 70% of all foreign direct investments. Also, our flagship product, the White Book, is a great platform aimed at driving change. It has been an enormous effort by top business leaders in the country, who are extraordinarily enthusiastic about making real changes and using their vast experience while sharing their knowledge. For me, the amount of effort that the teams put into the job every year is astounding.

What new challenges and tasks have you set for the FIC in the coming period?

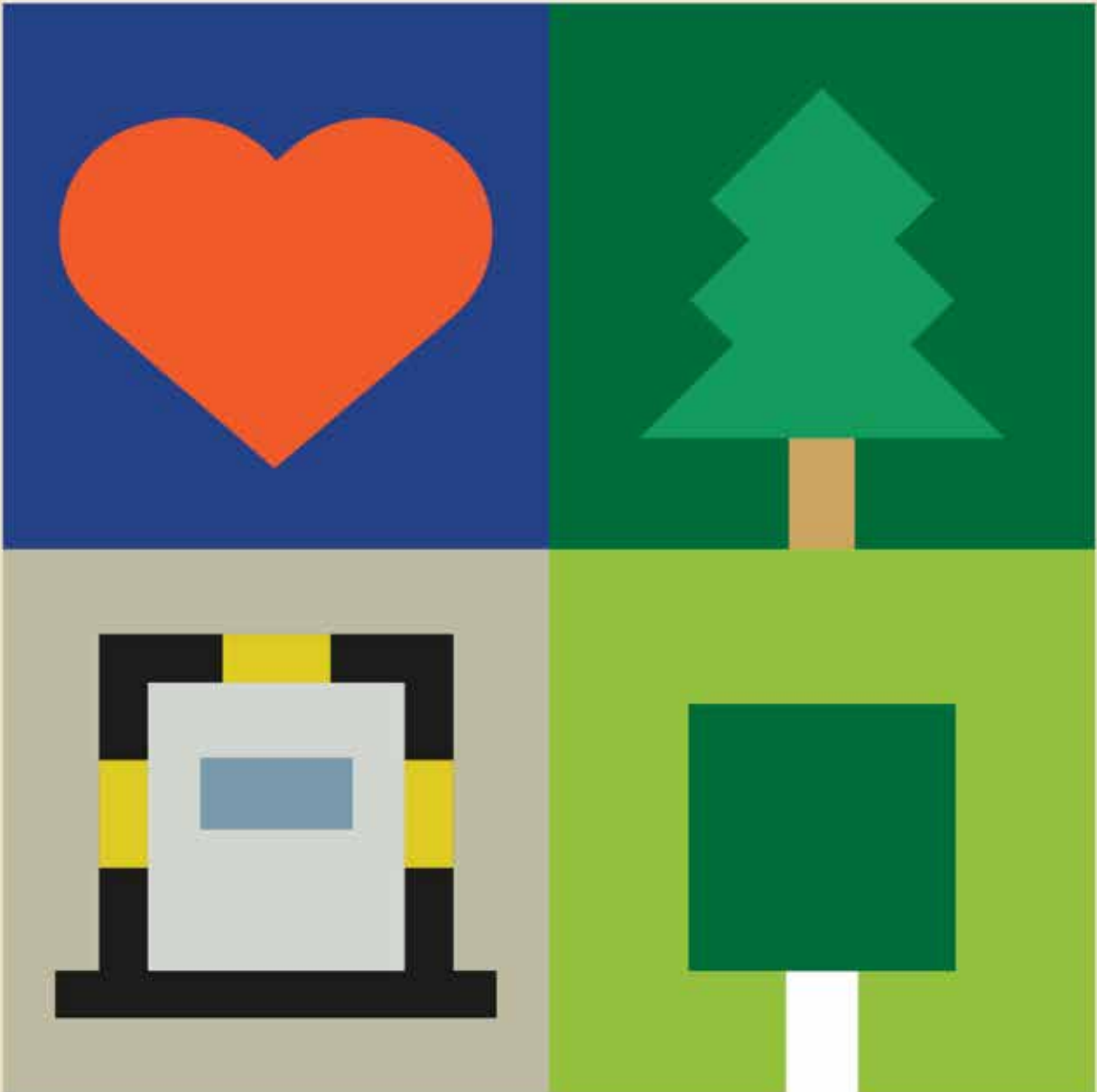
In the coming period, the FIC's focus will be on furthering digitalisation in all areas and the corporatisation of public companies. We just recently formed the ninth committee, the Tourism and Hospitality Working Committee, as this area with very high prospects, and strong effects on overall economic happenings, faced a lot of challenges in the last period. The Green Agenda for the Western Balkans is also important for us, as part of the EU development strategy known as the Green Deal, which includes climate action, with decarbonisation, energy and mobility, but also the circular economy.

What has changed and what has remained the same when it comes to the way the FIC is structured?

As I mentioned, we just recently formed our Tourism and Hospitality Working Committee. The years 2020 and 2021 were difficult and challenging for Serbian tourism, especially when it comes to urban areas. The Government of the Republic of Serbia has taken certain efforts to compensate for the losses sustained by the tourism and hospitality industry and, above all, preserve employment in the industry. At the same time, tourist demand has changed and competitive pressure is intensifying. It is necessary to improve the competitiveness of Serbia as a tourist destination. The committee is due to establish close dialogue, primarily with the Ministry of Trade, Tourism and Telecommunications, the Ministry of Finance, the Ministry of Labour, Employment, Veterans and Social Affairs, as well as with the Ministry of Environmental Protection, the Ministry of Culture, the World Bank Office, the UN and the OECD office, among others, if necessary.

The CSR activities of businesses are increasingly in the focus of society. What are the key values embraced by your members?

I believe that companies in general, our members included, will focus on a strategic approach, which means creating more systematic solutions, based on the needs of local communities and employees. The green agenda is extremely important for the Western Balkans. The green agenda includes climate action, with decarbonisation, energy and mobility; the circular economy; biodiversity; combatting air, water and soil pollution, and, finally; sustainable food systems and rural areas. Green is the key word for growth, jobs and health. Investing in the environment and climate change is investing in the future, because the cost of inaction would be much higher.



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When geopolitical conditions shift and the world economy is hit by serious tremors, countries that are much more developed and better regulated than Serbia also find themselves confronted by big problems. While we solve short-term problems, we mustn't lose sight of the deep and lasting changes to the energy sector, and that's energy transition



According to everything we've done this year to secure energy reserves, the state of production and the situation when it comes to imports, I believe we will succeed in having enough of everything during the winter period. Under the current circumstances, having a secure supply of energy and energy products is a success – says Serbian Deputy Prime Minister and Minister of Mining and Energy Zorana Mihajlović Ph.D., answering the question that concerns us all, at least in the short term, about how will we handle the coming winter. However, this is also part of her answer to a much broader question about the ability of the Government of the Republic of Serbia to deal with problems that it has not previously faced.

How difficult is it today to handle the problems imposed on the Serbian government by the global crisis, inflation and political tensions that have their own repercussions, first and foremost in the energy sector?

All the governments that I've been part of have had a vision, but we've also faced serious challenges that made it necessary for us to undertake enormous work and have commitment, to act quickly and adapt to events that impact the whole world and couldn't have been predicted by anyone. This year is indeed particularly challenging, first and foremost due to the consequences of Russia's attack on Ukraine and the deepening of the energy crisis, but it cannot be said that some previous years were easy. We faced a difficult situation with public finances in 2012 and struggled with the flooding of May 2014 and their consequences shortly after the formation of the government. Over the next few years, we regulated public finances and achieved stable economic growth, alongside increasing investments, employment and living standards. Then came the coronavirus pandemic, which caused economies around the entire world to slow down. Global energy problems started as of last year, with rising prices of electricity and energy products on the market during the pandemic recovery period, after which came the war between Russia and Ukraine. Things haven't been easy all these years, but I don't believe anything is difficult when you work for the sake of your country and people.

When geopolitical conditions shift and the world economy is hit by serious tremors, countries that are much more developed and better organised than Serbia also find themselves confronted by big problems. While we solve short-term problems, such as providing energy and

SOLIDARITY

Under crisis conditions, it is necessary to exert additional effort, conduct more joint work and have solidarity if we are to get through this period with the fewest possible difficulties

MODERATION

We must take care to ensure that the price of energy is sustainable for the economy, citizens and the electric power system

INEFFICIENCY

Serbia currently consumes about four times as much energy as the EU average to create the same unit of GDP, and almost twice as much heating energy per square metre in households

energy sources for the coming winter, we mustn't lose sight of the deep and lasting changes to the energy sector, and that is energy transition. Of course, a prerequisite for dealing with all these challenges and continuing development is to preserve peace and stability – not only in Serbia, but also throughout the region, because it is only if we are stable as a region that we can advance in the same direction – towards development, connection and a better life for citizens – and that Serbia can achieve its goals.

What would you single out as the Government of Serbia's strategic measures contributing to the maintaining of macroeconomic stability, price stability and the supply of energy?

The Government's responsibility can be seen in every difficult situation or crisis, as can be seen now, when we are confronted by an energy crisis. It is sufficient to recall everything that was done by the state when we were combating the pandemic and what it did to ensure that we were able to jointly overcome both the health crisis and its economic consequences. It is the same case now, when we are doing everything to enable households and the economy to have enough electricity, at acceptable prices, as well as sufficient quantities of gas and petroleum derivatives. On the one hand, the costs of purchasing electricity are enormous during this time of record prices on the market. Likewise, EPS [Public Enterprise Electric Power Industry of Serbia] has been allowed to import coal due to its own production being insufficient. And these costs have only had a minor impact on increasing the prices paid by households and businesses. From October last year until this day, we've spent almost two billion euros on imports of electricity and gas. It will be necessary to import even more electricity during the coming winter, equating to approximately 15 or 20 per cent of total consumption, and that means billions of euros according to current prices. The main concern in the gas sector is safeguarding supplies, which we've largely succeeded in doing through the three-year contract with Russia's Gazprom, filling the Serbian part of the Banatski Dvor storage facility and also storing gas for Serbia's needs in Hungary. Over the long term, particularly important for securing supplies is the construction



We should bear in mind that it isn't possible to precisely predict everything that could possibly happen in a crisis, such as whether the transit of some energy products will be halted and other unilateral moves made. Europe is also on the brink of nuclear war, and that's something we must be aware of

of the Niš-Dimitrovgrad gas pipeline, via which we will be able to start supplying gas from the Caspian Sea region, primarily from Azerbaijan, as of next autumn, and thus we will be able to meet at least 40 per cent of our needs from alternative suppliers. When it comes to petroleum products, the main goal of safeguarding the supply of the domestic market even under the conditions of EU sanctions against the Russian Federation has been achieved, while the state also intervened when it comes to the prices of petroleum products. As a Ministry, we also engaged in solving the problem related to supplies and prices of fuel pellets, in the knowledge that we can't allow the large number of households that use fuel pellets or firewood to switch to electricity during the winter due to a lack of these energy sources, because that would prove disastrous to the level of electricity consumption and the energy balance.

What are the short- and long-term options for Serbia to be better prepared for these kinds of energy challenges?

In times of crisis, we respond to unfolding events, but crises cannot define strategies. I would remind you that Serbia's energy turnaround started well before the energy crisis, with the adoption of a new legal framework, including the first distinct law on the use of renewables and the new

Law on Energy Efficiency and the Rational Use of Energy. It is precisely these two laws that are crucial to our energy transition and proved very important for initiating energy sector changes. On the one hand, we need to reduce the irrational consumption of energy, while, on the other hand, we need to safeguard the energy supply under the conditions of energy transition. This implies constructing the large pumped storage hydropower plants Đerdap 3 and Bistrica, as well as new investments in RES, primarily the use of solar and wind energy. It's a great pity that we're only launching many projects now, because our energy security would be completely different today if our energy industry hadn't been "slumbering" for many years, and I would remind you that no new major power plant has been built in Serbia for 30 years. That's why investments must be much more effective, not only when it comes to building new energy production capacities, but rather also when it comes to investing

INTERVIEW

in the development of the transmission and distribution network, as it is unacceptable, for instance, for the implementing of high voltage projects to take almost a decade. Our goal is to be connected to our neighbours both in gas supplies and the transmission network, because we can only have energy security by being connected. In addition to the gas interconnector with Bulgaria, the construction of which is underway, we are also preparing for the construction of the interconnector with North Macedonia, while interconnections with Romania and Bosnia-Herzegovina are also planned and we will also discuss this issue with Croatia.

Many investors have selected Serbia as a place to invest in production due to competitive prices of electricity. How interested is Serbia in preserving this image, particularly when it comes to green transition?

The price of energy, alongside macroeconomic stability, infrastructure quality and the speed of issuing permits, represents an important element when it comes to investors deciding where to invest. We took important strides in terms of improving infrastructure and the speed of issuing building permits in the ministry that I previously headed, such as with the introduction of e-permits, which had a significant impact on improving the environment for doing business in Serbia. However, we must take care to ensure that the price of energy is sustainable for the economy, citizens and the power system. Serbia doesn't have competitive electricity prices, but rather prices that are too low from the perspective of the functioning of the system as a whole. The low price of electricity is one of the reasons we have excessive consumption of electricity for the purposes of heating, despite there being other ways to obtain heating energy. This is something we will have to discuss when the crisis abates, because price parity is important for the stability of the entire system and is an important instrument in conducting energy policy.

How prepared are we for such a transition institutionally, organisationally and logistically?

The key question for energy transition isn't how prepared we are for it, but rather what kind of energy system we want and whether we are ready to change. Countries that embarked on the energy transition process long before Serbia also started from positions that weren't ideal, but they started nonetheless, and that's why they're in a better position than us today when it comes to energy security and the decarbonisation of the energy sector.

There was a lot of resistance to even initiating the energy transition process in Serbia, and that could be seen during the previous years



All the governments that I've been part of have had a vision, but we've also faced serious challenges that made it necessary for us to undertake enormous work and have commitment, to act quickly and adapt to events that impact the whole world and couldn't have been predicted by anyone

when energy in Serbia was "sleeping" as the whole world was changing. We still have them today, primarily in public enterprises, even though it is completely clear that rejecting changes leads to a loss of competitiveness and makes it more difficult to realise energy security, not to mention the ramifications for the environment and human health. With the signing of the Paris Climate Accords and the Sofia Declaration on the Green Agenda for the Western Balkans, Serbia made a clear decision regarding its own development path when it comes to the energy sector, which means that we have sufficient energy and secure supplies, while simultaneously preserving the environment and ensuring that we have clean rivers, land and air. That pathway is referred to as the Green Agenda and represents a potential new growth model that should bring new investments, jobs and modern technologies, and this is not about any kind of "shock therapy", but rather the preparing and step-by-step implementing of a turnaround in energy over the course of several decades.

To what extent is the current situation, which sees us confronting numerous challenges, favourable for realising energy efficiency improvement plans?

Crises generally reveal pre-existing problems, which is also the case with the irrational consumption of energy that is costly for all of us. Serbia currently consumes about four times as much energy as the EU average to create the same unit of GDP, and almost twice as much heating energy per square metre in households. This would be a problem even if we didn't have an energy crisis, and under current conditions savings represent an important resource to ensure we have enough energy. Today, when many other countries are also insisting on making energy savings, it can be seen how right we were as a Ministry when we launched the national energy rehabilitation programme and began subsidising households, together with local governments, in replacing windows and doors, improving insulation or replacing boilers. We also included the installing of solar panels in the programme, i.e., we provided subsidies for households wanting to become electricity consumers-producers. The installed capacity of customer-producer power plants stands at approximately 3.8 MW, and that figure is almost 10 times higher when we include requests submitted to EDS by households and businesses. More than 25,000 households are included in the programme to increase energy efficiency in the first year and - in cooperation with the World Bank and the EBRD - around 70 million euros has been secured for the project's continuation, which we expect to encompass more than 100,000 households.



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I Don't Expect **A Recession**

We mustn't lose what we've already achieved, and that's full employment and economic growth. Even though much of this doesn't depend on us, we can make efforts to absorb the shocks and continue with the reform of public enterprises and fiscal reforms



The current Government of the Republic of Serbia is the first government since the 2008 financial crisis to confront the effects of the global economic crisis. Judging by the forecasts of economic experts and international financial organisations, the incoming administration – in the case that the current crisis continues – will face inflation, recession or stagflation for a relatively extended series of years.

We spoke with Serbian Finance Minister Siniša Mali to discuss how ready Serbia is to handle these challenges and how this readiness is reflected in the policies of the government and the Ministry of Finance.

"This is really all about a huge crisis, which has greater ramifications than the one from 2008, and that's why economic policy priorities

are extremely important. We must, on the one hand, remain focused on citizens and protecting their standard of living, while, on the other hand, we must concentrate on the economy and improving the economic environment," says CorD's interlocutor. "We mustn't lose what we've already achieved, and that's full employment and economic growth. Likewise, safeguarding the food and energy security of the country is one of the priorities, as is alleviating inflation, which is imported on the whole."

"A lot of this, unfortunately, doesn't depend on us," notes Mali, "but rather on external factors that it's tough for us to influence, but we can try to absorb the shocks. Of course, extraordinary circumstances mustn't be an excuse not to deal with other topics, such as, for example,

RESPONSIBILITY

We are living in very unstable times and no one can reliably predict how the situation will unfold, but we are doing all we can for citizens to feel as few negative consequences as possible

PRIORITIES

Preserving macroeconomic and financial stability, while providing support for economic growth and maintaining citizens' standard of living, remain our priorities

CHANGES

In consultation with the IMF, we are preparing a new set of fiscal rules, among which is a new fiscal rule on debts and deficits that will safeguard our long-term fiscal sustainability

the reform of public enterprises or the continuation of fiscal reforms."

And despite all the uncertainties, our interviewee still doesn't expect a recession. "Our economic growth stood at 4.4 per cent in the first quarter, and at four per cent in the second, according to the flash evaluation of the Statistical Office of the Republic of Serbia. Under the conditions of such a crisis, it is indisputable that this is an excellent result."

The Republic of Serbia signed a new advisory arrangement with the IMF last June that will run until the end of 2023. How much is this arrangement about helping Serbia to determine the proper mix of policies required to maintain stability and economic growth?

We've been cooperating successfully with the IMF for years. The current advisory arrangement is in place, and the IMF Executive Board brought the decision at the end of June this year to successfully conclude the second deliberation on the results of that arrangement. It was ascertained that a large number of the arrangement's goals have been met and that reforms are continuing. Thus, despite the challenges brought by the pandemic, we have mostly fulfilled the commitments we took on under the scope of the structural reform plan. Ahead of us will be discussions on the budget for next year. It is important that we are preparing, in consultation with the IMF, a new set of fiscal rules, among which is a new fiscal rule on debts and deficits that will safeguard our long-term fiscal sustainability. We've also already discussed raising salaries, minimum wages and pensions, as well as switching to the Swiss formula in order to harmonise the growth of pensions.

The previous period saw the government intervene with significant funds aimed at maintaining economic growth under the conditions of the COVID-19 pandemic. Do you expect the need for a similar intervention to arise in the period ahead?

During the two years of the pandemic, we helped the economy and citizens with 8.8 billion euros, which is around 17.3% of GDP. We likewise opted for a strategy of making record investments in capital projects, and those measures have resulted in us having the highest

cumulative growth rate in Europe over the previous two years. That helped us save jobs and factories, and maintain living standards. Of course, it is clear that state intervention can't be ruled out under the conditions of such a global economic crisis. By limiting price hikes on food products and fuel, we succeeded in partially toning down inflation and reducing its impact on the population. Of course, we must be cautious and must help those who really need it, and - as a responsible state - we will do everything to enable the economy and citizens to continue functioning normally.



Under almost impossible conditions that have seen many stronger economies stumble, we are achieving good results... We attracted 3.9 billion euros of FDI last year - more than during the year that preceded the pandemic

We remember the last decade for its stable prices, low inflation and cheap money, but we're now operating in a completely different environment. To what extent has the government taken a responsible approach to adjusting fiscal policy to meet the new circumstances?

We reached economic stability thanks to the tough fiscal consolidation measures that we were forced to implement in response to the former government's mismanagement of public finances. Fortunately, we brought order on time and saved enough money, which meant that we awaited the pandemic in a state of readiness and were able to handle all the challenges it brought successfully. Next began the current crisis and worldwide energy problems, followed by record high inflation and other challenges. We also began preparing for this crisis on time, both when it comes to replenishing commodity reserves and when it comes to securing

the energy supply. We are living in very unstable times and no one can reliably predict how the situation will unfold, but we are doing all we can for citizens to feel as few negative consequences as possible.

When it comes to adjusting fiscal policy to suit the new circumstances, the results are evident: in addition to experiencing the highest growth in Europe cumulatively over the last two years, our public debt stands at the level of around 53 per cent, which is far below the Maastricht level. I would also like to mention the fact that Serbia attracted 3.9 billion euros of foreign direct investments last year, which was more than during the year that preceded the pandemic. So, under almost impossible conditions that have seen many stronger economies stumble, we are achieving good results.

INTERVIEW ■

How much can we rely on regular supplies of electricity to the economy and the population in the months ahead?

We are certainly awaited by a tough winter, but we are doing all we can to ensure we have enough energy, both for the economy and the citizenry. I believe there will be enough of all sources of energy, and we, as a state, are fighting like lions to secure everything. We monitor the situation on a daily basis, in order for us to be able to accurately predict problems and react. Citizens have also seen this, because we have utilised various measures since the beginning of the crisis to curb inflation and reduce shocks, such as limiting fuel prices or freezing the prices of basic foodstuffs. When it comes to energy, we have signed 11 contracts on the purchase of coal from mines in different countries. That coal is slowly arriving, while we are also negotiating with Chinese partners on the purchase

of additional coal to ensure that EPS stores will have sufficient coal during the winter. We've also acquired enough Mazut [heavy fuel oil], and it's important to note that we're also considering building new capacities to strengthen our power system. When it comes to gas, I would remind you that we've already leased a storage facility in Hungary where we will store 500 million cubic metres of gas, while the Banatski dvor storage facility will also be filled soon. Likewise, Serbia has already secured more favourably priced gas on the basis of the agreement between the presidents of Serbia and Russia. With the gas we receive from Russia, together with the gas held in storage in Hungary and Banatski dvor, we will secure enough gas for the winter, both for the Serbian economy and citizenry.

Has the current situation with public enterprise EPS (Electric Power Industry of Serbia) prompted you to consider intensifying work on improving the management of public companies, given that they can be a source of debt generation and potential macroeconomic instability?

It cannot be said that public enterprises today generate debts and potential macroeconomic instability. I'm not claiming that the situation is ideal, but it is incomparably better than was the case with our predecessors. I believe that public enterprises can become drivers of progress and development. It was in 2014 that we launched essential reforms that are still being worked on. No public enterprise today represents any kind of fiscal risk to the budget of the Republic of Serbia, and that's a great success. When it comes to tangible figures, I would note that 25 public enterprises were operating positively in 2015, while last year 84 of them contributed gains to the budget. That



We must be cautious and must help those who really need it, and - as a responsible state - we will do everything to enable the economy and citizens to continue functioning normally

is three times higher, i.e., they provided budget contributions totalling as much as 16.8 billion dinars. As for EPS, it is clear that there were higher costs, but the fact that we have money available means that this doesn't threaten the budget.

One of the key expectations among both foreign and domestic investors is tax system transparency and predictability. How successful do you think the legislative activity of your ministry has been when it comes to creating such an environment?

We work on a daily basis to make the economic environment even more transparent and attractive for doing business. The aim is for us to entice even more investments, both domestic and foreign, because that means new jobs and higher wages. And we are succeeding in this endeavour, as confirmed by the record-breaking 3.9 billion euros of FDI in 2021. The introduction of e-fiscalization and e-invoices, as well as significantly

improved Tax Administration controls, will certainly contribute to this end, as they serve to create a more competitive and transparent business environment. Our aim is to build a better and more beautiful Serbia, which is why we're not abandoning reforms. Apart from new laws on fiscalization and e-invoices, we've also adopted a set of tax laws and are working actively to reform the Tax Administration, to modernise it and render its operations as efficient as possible.

What effects has the new model of fiscalization had to date?

I'm satisfied with the introduction of the e-fiscalization system, the implementation of which has been mandatory since 1st May. Thanks to this system, which represents one of the key tools in the struggle to combat the grey economy, we've ensured incomparably better Tax Administration controls. This changes operations for the better, because the introduction of e-fiscalization, together with e-invoices, represents one of the central pillars of a transparent economy and fair competition. The most important factor is certainly that businesses and citizens understood the significance of introducing e-fiscalization and that they've become accustomed to that system. They've realised that we should work together in combating the grey economy, because that's how we will achieve swifter and more efficient operations, and for that to be cheaper for businesses. This is also confirmed by the fact that the majority of those obliged to undergo fiscalization approached the task responsibly and switched to the new system on time, but also the fact that the citizens have understood the importance of taking a fiscal receipt, because the failure to issue one will result in that money not ending up in the budget and not being used to construct hospitals, schools, nurseries, motorways etc.

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Euromoney Proclaims OTP Banka Best in Serbia

Following May 2021's successful completion of the region's most complex integration process, OTP Banka Srbija succeeded in maintaining and fortifying its position as the largest corporate and retail lender over the course of 2021 and 2022, but also as the leader of the factoring market and the leasing and e-commerce services sectors. This was also recognised by world-renowned business and finance magazine Euromoney, which proclaimed 'OTP banka' the Best Bank in Serbia at this year's award ceremony for the traditional Euromoney Award for Excellence



The Euromoney Award for Excellence has been awarded for the last three decades and is among the most noteworthy and prestigious financial sector awards presented to financial institutions that provide their clients with the highest level of service, innovation and expertise. This achievement comes as a result of the successful conducting of the bank integration process, the achieving of excellent business results, coupled with growing profitability, operational efficiency and healthy loan portfolio growth, which distinguished OTP Banka Srbija as a leader of our country's banking market. As part of the decision-making process, Euromoney reviewed financial and business indicators, market position, offer

quality and innovativeness, degree of innovation and digitalisation, user experience, corporate social responsibility policies and overall business strategy.

PROFITABILITY UP BY RECORD-BREAKING 95%

OTP banka generated pre-tax profits totalling 66 million euros in the first six months of this year, with a return on capital exceeding 16%. The bank's year-on-year profitability was up by 95%, i.e., 32 million euros. Its net assets amounted to €5.96 billion in June of this year, representing an increase of as much as €628.8 million, or 11.8%, compared to the first half of 2021.

When it comes to lending activities, OTP banka recorded a total of almost 4.7 billion euros in the first six months of this year, representing an increase of 16.2%, or €660.2 million, against the same period of the previous year. This ensured that the bank retained top spot on the Serbian market, with a 17.6% market share. The value of housing loans exceeded a billion euros in the first half of the year, representing a 22% market share. A major leap was also recorded in the area of cash loans, with growth of 7.9% leading to a total of €1.1 billion, which represents a market share of 20.2%.

Significant growth was also achieved in the corporate lending segment, where €2.5 billion represented growth of 21.9% in comparison to the same period of the previous year. OTP banka thereby remains the number one corporate lender on the Serbian market, with a 16.8% market share.

Also operating within the framework of OTP Group in Serbia are OTP Leasing Srbija, leader of the country's leasing market, and OTP Osiguranje, which provides life insurance services via OTP banka.

LEADER OF SERBIA'S GREEN TRANSITION

OTP banka bases its business strategy on the principles of sustainable business, striking a balance between economic, social and environmental impacts and goals. OTP banka aligns its sustainability priorities with global challenges and trends, in accordance with the strategy and priorities of its parent OTP Group. Given that this bank has the ambition to become the market leader in green financing, while continuously transitioning towards achieving carbon neutrality itself, OTP banka this year adopted its Sustainable Business Strategy, i.e., ESG [Environmental, Social and Governance] Strategy, and positioned itself – as an already acknowledged market leader – as a leader of Serbia's green transition and the applying of ESG principles of action.

OTP Banka Srbija uses electricity generated exclusively from renewable sources (100% ZelEPS), while its Belgrade headquarters has its own solar panels installed on the roof. Several initiatives and projects have been launched over previous years that further the green transition process, as one of the key strategic directions, one of the standouts of which is the multiple award-winning Generator project, via which OTP banka has spent the past five years providing entrepreneurs from various fields with opportunities to present their creative and innovative solutions. The funding competition concept has changed in accordance with the changing needs of the market, current circumstances and social challenges. This year's edition, dubbed Generator Zero, was directed towards sustainable

development and environmental projects aimed at contributing to reducing the carbon footprint. The bank received two awards this year in recognition of its engagement and contribution to society. Under the scope of the "Best of Serbia" campaign, OTP was awarded the Benefactor Award, while the French-Serbian Chamber of Commerce awarded it the prestigious Grand Prix.

INNOVATIONS IN ACTION

In cooperation with Google and Mastercard, OTP banka has enabled its clients to make quick, easy and secure payments on their mobile devices via Google Pay. This service is available to OTP banka clients who are users of Mastercard payment cards and can be accessed on smart phones and watches that support NFC technology. It was back in 2019 that the bank became one of the first to introduce the possibility of using mobile devices with the Android operating system as payment

cards, in the form of the mCard service, while users of iPhone, Apple Watch, iPad or Mac devices were provided with the possibility of utilising the Apple pay service in 2020. Moreover, a completely new and technologically improved m-bank application that was launched recently brings a high level of performance and security, advanced and new functionality, the standout element of which is a modern, intuitive and clear design that provides users with a unique level of user experience. The special value of the new m-bank application is the fact that it was designed on the basis of clients' wishes, with their suggestions having been taken into account and implemented during the creative process.



The Euromoney Award for Excellence has been awarded for the last three decades and is among the most noteworthy and prestigious financial sector awards presented to financial institutions that provide their clients with the highest level of service, innovation and expertise

EXCELLENCE AWARDS FOR HR PROCESSES AND PROGRAMMES

OTP banka builds its HR processes, innovative practises and employee relations in accordance with the highest standards – not only in the banking industry, but also in the arena with the best. At the foundations of its leadership position is a corporate culture that enables constant development of employees by creating changes and innovative solutions. This is confirmed

by two important accolades received in 2022: the Employer Partner certificate, representing a prestigious HR recognition that serves as a guarantee of the excellence of HR processes within companies and confirms their continuous investment, modernisation and the improvement of the employee experience; and the Human Driven Reshape award, which was presented in recognition of the most innovative HR practises for the BFF programme. These results clearly show that the bank takes a strategic approach to its employees and recognises their crucial role in the development of the bank through the nurturing of a culture of dialogue and cooperation.

Safe Haven For The Economy And Citizenry

I'm extremely proud of the results we've achieved in preserving the exchange rate's relative stability over the course of the last decade. That has provided our citizens and the economy with certitude, easier planning and more certainty in their business operations. The NBS has become a synonym for a safe haven and stability, an institution that carefully analyses and makes advanced preparations for periods of increased uncertainty



In all likelihood, we expect double-digit inflation by the end of this year. That's why many eyes are turned towards the policy of the National Bank of Serbia. "Central banks use interest rates to impact inflation primarily through channels of demand and expectations, while monetary policy cannot impact on supply side pressures, or can only influence them to a small extent," says National Bank of Serbia Governor Jorgovanka Tabaković. Our interlocutor also notes that, given that economic activity was still recovering slowly from the pandemic when inflation began to rise in many countries, there was a fear that

tightening monetary policy would cause that recovery to slow further. Care is still being taken when it comes to this. Additionally, Tabaković considers, it needs to be kept in mind that monetary policy has a delayed impact on inflation, which makes it important to project future inflation as accurately as possible. "In a situation in which pricing trends are largely determined by the outcome of military conflicts, projections can deviate greatly from expectations, which actually happened during the previous period. We certainly have room to continue raising the reference interest rate if the need arises, but also to use other

INNOVATION

We strive to improve our work constantly, by monitoring trends, but also by being a role model for others, because - without false modesty - we lead the way in many areas compared to other central banks

COOPERATION

Together with the President (formerly the Prime Minister) and the Government, we work constantly to strengthen the resilience of the economic and financial system

INVESTMENTS

During the two years of the pandemic - 2020 and 2021 - Serbia attracted FDI of 6.9 billion euros, which is firstly a result of the fact that macroeconomic, financial and fiscal stability were preserved both before and throughout the pandemic

instruments in order to tighten monetary conditions. However, we also take the aforementioned limitations into consideration when deciding on monetary policy.'

To what extent does this new situation require that you, at the NBS, transition to new approaches in terms of data analysis, monetary policy management and banking sector oversight?

The NBS has become a synonym for a safe haven and stability, an institution that conducts careful analysis and advanced preparations for periods of increased uncertainty. Together with the President (formerly the Prime Minister) and the Government, we work constantly to strengthen the resilience of the economic and financial system. I'm extremely proud of the results we've achieved in preserving the exchange rate's relative stability over the course of the last decade. That has provided our citizens and the economy with certitude, easier planning and more certainty in their business operations. We strive to improve our work constantly, by monitoring trends, but also by being a role model for others, because - without false modesty - we lead the way in many areas compared to other central banks. I'm very proud of that, as it is a result of our dedicated work and openness to constant improvement. Thus, the NBS has developed a system of data analytics over the years that enables it to gain detailed insight into factors that impact on the exchange rate, and which is amended and upgraded as required, just as the banking system itself and the financial market undergo changes. At the same time, we continuously monitor the development of, and apply, the best international practice in the utilising of modern technologies and methodological approaches in controlling the operations of banks.

The arrangement with the IMF is unfolding favourably. How important was it for you to rely on consultations with the IMF in conducting monetary policy?

Consultations with the IMF are important, but we constantly stress the point that the NBS leads an independent monetary policy. During these consultations, we discuss macroeconomic and financial developments in the country, in which we always try to reach agreement, at least to the greatest extent possible. This, of course, doesn't mean that we always have the same positions. The best example is our exchange rate policy. If you examine official reports and communications, you will see that the IMF has shifted its stance closer to the views of the NBS over the course of previous years when it comes to (not) allowing excessive short-term fluctuations in the exchange rate. I would,

however, emphasise that the IMF, in its reports, also evaluates the monetary policy we're implementing as being adequate.

We are again seeing talk, after a long time, about the level of external indebtedness, the coverage of imports by exports and countries' external position. How does Serbia stand according to these parameters?

At the end of March 2022, Serbia's external debt totalled 37.0 billion euros, or 67.5% of GDP, which is 8.6 percentage points lower than at the end of 2012. All indicators of the country's external position have improved. From 2012 until the first quarter of 2022, the share of debt repayment in GDP fell from 12.3% to 9.4%, the share of external debt in the export of goods and services decreased from 223.6% to 121.3%, while the coverage of imports by exports of goods and services increased from 67.5% to 81.0%. And Serbia's external debt risk has also reduced, thanks primarily to advanced repayments and the state's hedging activities. The fact remains that we face an increased current account deficit in the balance of payments, but the same problems confront all countries that are net importers of energy products, and that means the majority of countries. The NBS cannot influence prices of industrial raw materials, oil, gas or other energy sources on the world market. And it is the rise of these prices specifically that's the key reason for the increased current account deficit. There is nonetheless one part that we can influence: preserving exchange rate stability. The exchange rate isn't only important from

the point of view of inflation. It is equally important from the aspect of business, investment and consumer confidence, as well as banking sector stability. And we wouldn't have had an increase in investments or a tripling of exports from 2012 to today without it, and the long-term improving of the external position is ultimately dependent on that.

How possible is it to expect the continued improvement of Serbia's credit rating under such conditions?

Under such uncertain global conditions, improving the credit rating is rendered quite difficult, primarily due to the exacerbating of macroeconomic trends globally, which reflects on a large number of small and open economies like Serbia's. By analysing the reports of ratings agencies, first and foremost the latest report of the S&P agency, we concluded that the revising of Serbia's prospects to obtain investment credit from a rating of positive to stable was initially a result of global factors, primarily the conflict in Ukraine and concerns over its possible impacts on the Serbian economy. On the other hand, the very fact that

Regardless of the challenges to date, banking sector stability hasn't been threatened for an instant... The results achieved to date instil confidence in our banking sector remaining a factor of stability and support for the economy and citizens

INTERVIEW ■

Serbia's outlook has been revised to stable, rather than negative, reflects a balanced relationship between risks following the outbreak of the crisis in Ukraine and Serbia's positive medium-term growth prospects.

It was considered that COVID-19 would have a significant negative impact on inflows of foreign direct investment. What do your statistics show in this regard?

The Coronavirus pandemic didn't impact significantly on Serbia's FDI inflows. During the two years of the pandemic - 2020 and 2021 - Serbia attracted FDI of 6.9 billion euros, which is firstly a result of the fact that macroeconomic, financial and fiscal stability were preserved both before and throughout the pandemic. According to our data, FDI inflows of 3.9 billion euros were recorded in 2021, thereby surpassing the previous 2019 record. In comparison to 2020, inflows were up 27.1%, while they were up 1.2% compared to the record-breaking 2019. According to preliminary data, FDI inflows stood at approximately 1.6 billion euros in the first half of this year, and investors continued investing in both new and existing projects. The largest part of FDI entered tradeable sectors, primarily the processing industry, and their geographical distribution was also maintained, which we consider as being crucial for resilience and Serbia's continued double-digit export growth in the years ahead.

How have rising inflation and the economic slowdown so far reflected on the work and stability of the banking sector?

Regardless of the challenges to date, banking sector stability hasn't been threatened for an instant. We recognised the potential risks of the pandemic on time and didn't delay in introducing measures that turned out to be adequate and helped in preserving the creditworthiness of citizens and the economy. We not only succeeded in preventing the worsening of banking sector asset quality, but also in reducing the share of NPLs to the lowest historical level, of 3.29%. The banking sector maintained a high degree of capital adequacy and liquidity, alongside satisfactory levels of profitability. The results achieved to date instil confidence in our banking sector remaining a factor of stability and support for the economy and citizens.

Banks introduced numerous online services during the previous period. However, according to the recommendations presented at the start of the year by the Foreign Investors Council, it seems that plenty of room still exists to further improve and ease the work of the financial sector via the introduction of digitalisation.



It was back in 2018 that we introduced the first system for instant payments in this region, that was also among the first in the world, and we continuously ensure citizens and businesses have the possibility to use the latest payment solutions and functionalities. And that work never ceases

We monitor contemporary trends and, in the domain of our legal jurisdiction, trace the path for the efficient and, above all, secure application of new technologies in banking. We have done plenty and continue to do a lot on the digitalisation of financial services, not only through the adopting of modern regulations, but also through numerous activities aimed at further developing payment infrastructure. It was back in 2018 that we introduced the first system for instant payments in this region, that was also among the first in the world, and we continuously ensure citizens and businesses have the possibility to use the latest payment solutions and functionalities. And that work never ceases.

To what extent does the NBS, and the banking sector itself, pay attention to advancing the population's digital skills and ensuring equal access to services for those lacking digital skills?

The contemporary way the banking sector operates, which implies accelerated digitalisation, inevitably requires that users of financial services possess different skills. We are working actively to inform citizens and raise their awareness of the digital banking services available to them. However, the development of digital and electronic banking only represents a complementary addition to traditional forms of communication and existing banking services. We thus expect banks to preserve those traditional channels in order for all citizens to be able to access and utilise required financial services.

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Great Room For Growth

According to our estimates, the degree of mediation in the B2B segment in Serbia, i.e., the percentage of insurance that's managed by brokers, is only 20-25%. If we take the Romanian market as a benchmark, where around 70% of premiums are mediated by brokers, I would say that we can expect the strong growth of operations in the future!

Marsh represents the largest risk advisor and insurance broker in the world and the top broker in Serbia and the Adria region. In our conversation with Liliana Lapadatoni, Marsh Adria CEO, we discovered the most important risks facing the company in Serbia and around the world, before also discussing Marsh Adria services.

"Talking about global risks with local effects or local specifics, I would like to mention the 17th edition of the Global Risks Report, published by the World Economic Forum in collaboration with Marsh McLennan. "It surveys executives who could choose up to five risks that they view as being the most important for doing business. Let's zoom in, starting from a global perspective to a local one. Globally, the pandemic is still a major concern, followed by needs to strengthen climate action, enhance digital safety, restore livelihoods and societal cohesion, and managing competition in space," explains Lapadatoni.

Closer to home, at the European level, the top concerns of executives for the next two years are: 1. Climate action failure; 2. Debt crises in large economies; 3. Erosion of social cohesion; 4. Prolonged economic stagnation and; 5. Failure of cybersecurity measures.

From the perspective of Serbian executives, the top five risks are: 1. Human-made environmental damage; 2. Debt crises in large economies; 3. Employment and livelihood crises; 4. Digital inequality and; 5. Geopoliticisation of strategic resources.

To what extent do companies in Serbia generally value the risk advisor and insur-



Our teams are constantly focused on providing innovative risk transfer solutions for emerging and systemic risks, including climate, cyber and space

ance broker industry as their support in preserving and continuing development?

– It is our responsibility, as market leader, to better explain to local compa-

nies the added value of a risk advisor and insurance broker. Some of the key questions we address with our clients from various industries include: What are my major risks? What is the impact of those risks on my business? How can I better manage my total cost of risk?

The degree of intermediation, the percentage of insurance managed by brokers, is very high on mature markets. In the UK, for example, it stands at around 90%. In Serbia's corporate B2B segment, it totals around 20-25%, based on our estimates. If we take the Romanian market as a benchmark, where 70% of premiums are intermediated by brokers, I would say that we have a nice growth journey ahead of us!

We live in a fast-changing world: pandemics, wars, financial crises. What new risk management solutions is Marsh offering its clients?

– We have always brought an unrivalled combination of various industry-specific expertise, with both local and global experience, to the variety of risks that companies face.

Just to give you an example: COVID-19, as an outbreak that caused a global emergency, has had far-reaching effects on people, travel, supply chains and economies globally, representing a unique crisis. Still, pandemic risk is not a "new" risk and we have always included pandemic scenarios, together with preparedness measures for companies, as part of the business resiliency plans that we provide and in our risk advisory services: risk assessments, crisis management planning, scenario testing.



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INTERVIEW ■ TOMISLAV MOMIROVIĆ, MINISTER OF CONSTRUCTION,
TRANSPORT AND INFRASTRUCTURE OF THE REPUBLIC OF SERBIA

Open Balkan Is Both Our Chance And Obligation

When it comes to the Government of Serbia, there is no capitulating on the implementing of infrastructure projects, as they represent the foundation of our economic strength and create opportunities for the arrival of foreign investors



The most important infrastructure projects in Serbia are being implemented despite the intensifying global crisis, explains Serbian Construction, Transport and Infrastructure Minister Tomislav Momirović, adding "we have the strength, resources and will to change Serbia for the better! Open Balkan is both our chance and obligation".

What do you see as the most important opportunities provided in your sector by the Open Balkan Initiative?

Imagine travelling or doing business without obstacles hindering you at borders in the Balkans, no stopping, no crowds, no anxiety, no administration – this is just a fraction of what the Open

Balkan Initiative will mean for the region. The ideas built into the foundations of the Open Balkan Initiative are freedom, regional cooperation and the mutual sharing of responsibilities. The current crises have shown just how important regional cooperation is and how accurate that folk saying that there's no one closer than a neighbour really is. The stability of the region, and the increasing of our preparedness to confront current and future crises, are dependent on our desire, focus and organisation in implementing the ideas of the Open Balkan and the initiatives launched. A task force for crisis prevention was formed at the last meeting of the Initiative, which is so important ahead of the coming winter, as President Aleksandar Vučić has also warned about.

RESPONSIBILITY

The stability of the region, and the increasing of our preparedness to confront current and future crises, depend on our desire, focus and organisation in implementing the ideas of the Open Balkan and the initiatives launched

ECOLOGY

We are expediting work with our Chinese and German partners on all environmental projects and that will be our greatest legacy for our children's future

DIGITALISATION

Digitalisation is proceeding at an accelerated pace and the Government of Serbia is continuously increasing the readiness of all levels of government, especially in contacts with the citizens of Serbia, to provide services in a digital format as quickly and qualitatively as possible

How quickly is it possible to implement projects that are being discussed intensively within the framework of the Open Balkan Initiative? For example, the project to digitalise road toll collection?

It is a question of the day when we make operational the Open Balkan electronic toll collection on the highways of the Initiative's member countries and citizens will be able to use one TAG between Serbia, North Macedonia and Albania. Any Electronic Toll Collection user in any of the countries within the Open Balkan Initiative will be able to pay road tolls in all other countries of the Open Balkan Initiative with just one TAG, without having to stop or to purchase any additional device or card in countries where their vehicle is not registered. Each of our joint initiatives faces numerous obstacles, but our task is to utilise this historic moment to turn around the situation on the ground and ease everyday life and business for citizens. Every connection between the countries relates primarily to infrastructure, i.e., to road, rail and air transport, and that's why projects in these areas are critical to the future of the region.

How does this measure fit with the ministry's plans to digitalise the sectors you cover?

The digitalisation of the sector is proceeding at an accelerated pace and the Government of Serbia is continuously increasing the readiness of all levels of government, especially in contacts with the citizens of Serbia, to provide services in a digital format as quickly as possible and to the highest possible quality. We have clearly defined the objectives with the Republic Geodetic Institute, as an institution that is our serious partner in the entire reform cycle and the implementation of major infrastructure works. The digitisation of the cadastral register already represents a great benefit and assuredness for all participants in the processes related to its work.

The global crisis, inflation and shortages of materials have caused slowdowns in large-scale infrastructure works in many

countries. How have these circumstances impacted the Ministry's plans for the year ahead?

Our plans remain ambitious, as they are based on realistic goals, deadlines and sources of funding. First and foremost, there is the decisive political will to make the most of this moment and take advantage of the wave of referendum support from voters to launch the biggest wave of infrastructure construction in the



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history of Serbia. We will, of course, continue to vigilantly monitor global capital market developments, as well as global and European supply chains, because the dynamics of our work are directly dependent on that. We aren't noticing any serious delays in meeting deadlines for now and we will strive, as we did during the pandemic, to ensure that plans unfold smoothly and that we are able to finally resolve some of the urgent projects that are incredibly importance to the future of Serbia.

At what pace are plans progressing for infrastructural connectivity in the Western Balkans and how is your cooperation in this area with colleagues in the region and international donors?

Each of our projects, as I often mention, is crucial for the region, because Serbia is not an island, but rather an unavoidable country of Southeast Europe. If our aim is to maintain the cleanliness of the Danube basin and to build wastewater treatment plants in all cities located within it, then that's important for all countries through which this beautiful river runs. We have great responsibility, but also great willingness to help, which we proved when we decided to provide support to our Bulgarian neighbours in cleaning and deepening the Danube riverbed, under the conditions of record low water levels, thus enabling unhindered flows of international and local traffic.

Apart from highways, you are also focused on railways. How is work in this sector progressing on the domestic front and in the construction of the railway to Budapest?

That will be a great victory for the policies of Aleksandar Vučić and confirmation of Serbia's determination to join Europe.

INTERVIEW ■



Patriotism is today measured through the number of kilometres of new or modernised roads, the number of kilometres of new railways, the length of the new sewage network and constructed wastewater treatment plants

Despite all the difficulties, we are linking Belgrade and Budapest with the highest quality rail infrastructure. We will connect the capital cities of Serbia and Hungary in the same way we connected Belgrade and Novi Sad, and thereby prove ourselves to all those who didn't believe that Serbian railways are ready for the future and the most difficult tasks. The high-speed Belgrade-Novı Sad railway has already transported more than two million passengers, and the reasons for such high use are clear. Speeds of 200 kilometres per hour, a half-hour journey, comfort and punctuality are the main reasons citizens are returning to rail transport en masse. Following the commissioning of the first section, work immediately continued on the second section, from Novi Sad to Subotica, and - as President Vučić announced - we will have a constructed railway in precisely three years, while the Hungarians will complete their section in 2025.

How would you evaluate the dynamics of the construction sector until the end of this year and during next year?

Although some elements of crisis are appearing at the global level, the situation is much more favourable on our territory. We haven't registered withdrawals of investors, interest in new projects is very high, prices are stable and are even rising despite elements that could possibly cause them to fall. This testifies to the market still being very active, to there being real sources of financing and to the entire sector being in an accelerated working phase. It is tough to predict how the entire sector will develop if we have a war that's practically in the neighbourhood and if we are facing a very difficult winter during which the whole of Europe will be confronted by the challenge of securing the energy required for the unhindered running of business and "life" activities.

Various obstacles were removed in the construction sector specifically in the last few years, which accelerated the process of obtaining construction permits significantly and improved the work of the cadastral register. What tasks that could help maintain the current dynamism of this sector remain?

The dynamism of this sector is dependent exclusively on private investors. We welcome every public-private partnership initiative and are ready to participate in a constructive way. When it comes to the Government of Serbia, there is no capitulating on the implementing of infrastructure projects, as they represent the foundation of our economic strength and create opportunities for the arrival of foreign investors. This is how patriotism is now measured: through the number of kilometres of new or modernised roads, the number of kilometres of new railways, the length of the new sewage network and constructed wastewater treatment plants.

It isn't necessary to list everything currently being implemented, new highways and expressways, the modernisation of airports, new Serbian railway projects being prepared, the launch of construction of the Belgrade Metro, the accelerated boosting of our river transport capacity etc. These are all parts of the jigsaw puzzle that, when assembled, will show the picture of the modern, European Serbia as an indispensable transport and traffic hub of Southeast Europe and a pillar of regional stability.

Your area of work also includes infrastructure projects that are strongly connected to ecology. How is the "Clean Serbia" project currently progressing?

That's the project of greatest importance to the future of Serbia and our children. Many people spout hollow ecological slogans at this time, but we have launched projects that will really change Serbia's ecological perspective. I won't repeat the dull statistics on how many Serbian villages and towns lack modern landfill sites, wastewater treatment facilities, normal sewage systems or even normal water supply systems. Approximately 300 kilometres of the new sewage network and four wastewater treatment facilities will be built this year, under the scope of the "Clean Serbia" project. These are major steps, and this government has implemented a great change in perception when it comes to environmental projects. We've built the most modern treatment facility in the country, in accordance with the highest European standards, in Kruševac. The situation is similar in Vranje, where 140 km of new sewage infrastructure will soon be completed. We are expediting work with our Chinese and German partners on all environmental projects and that will be our greatest legacy for our children's future.

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Digitalisation Forms

The Basis of Market Progress

Digital transformation is today discussed at every company in Serbia, and many of them have seriously embarked on that transformative journey



As a driver of business in Serbia, digitalisation blossomed in the first half of 2020, as a side effect of the pandemic, and the trend of adopting and further developing solutions and products continued swiftly, says Dell EMC Account Executive Vladimir Spasić.

"The opinion of the majority of businesspeople is that digital transformation and innovations are extremely important, while a large number of them also believe that they are among the conditions for making further advances and market development," notes our interlocutor.

As the pace at which business is done has accelerated, so the adoption of various digital solutions has sped up, in order for companies to be more agile and able to respond to market demands. As an example of the speed at which such solutions are being adopted, Spasić gives the example of the large number of new companies that were "born" on the basis of digital solutions in the recent past and have raised their operations to a higher level, thus laying the groundwork for their own further progress. "They thereby encouraged all other companies in Serbia to accept the digital world as it is with great speed, to subordinate their operations to it and to generate additional services through future solutions," says Spasić.

What can you conclude about the depth and breadth of digital transformation in Serbia on the basis of the trends that you observe?

Digital transformation, as a concept, is now present in all companies that find themselves on our market, whether they're under private or state ownership. This implies a broader concept of the process and actions needing to be taken for a company to be digitally transformed. What we see in practise is that the digital transformation process is underway, and that the process itself isn't only an enduring one, but rather an almost endless one. Depending on a company's core area of activity, i.e., whether it operates in the banking sector, the real economy or the state sector, companies have achieved an enviable level of transformation, and we've been saying all this in the period since the outbreak of the pandemic, because that phenomenon caused this process to accelerate further. Applications, paperless processes, online ordering, delivery etc. all experienced expansion during the pandemic and ensured digital transformation's further growth.

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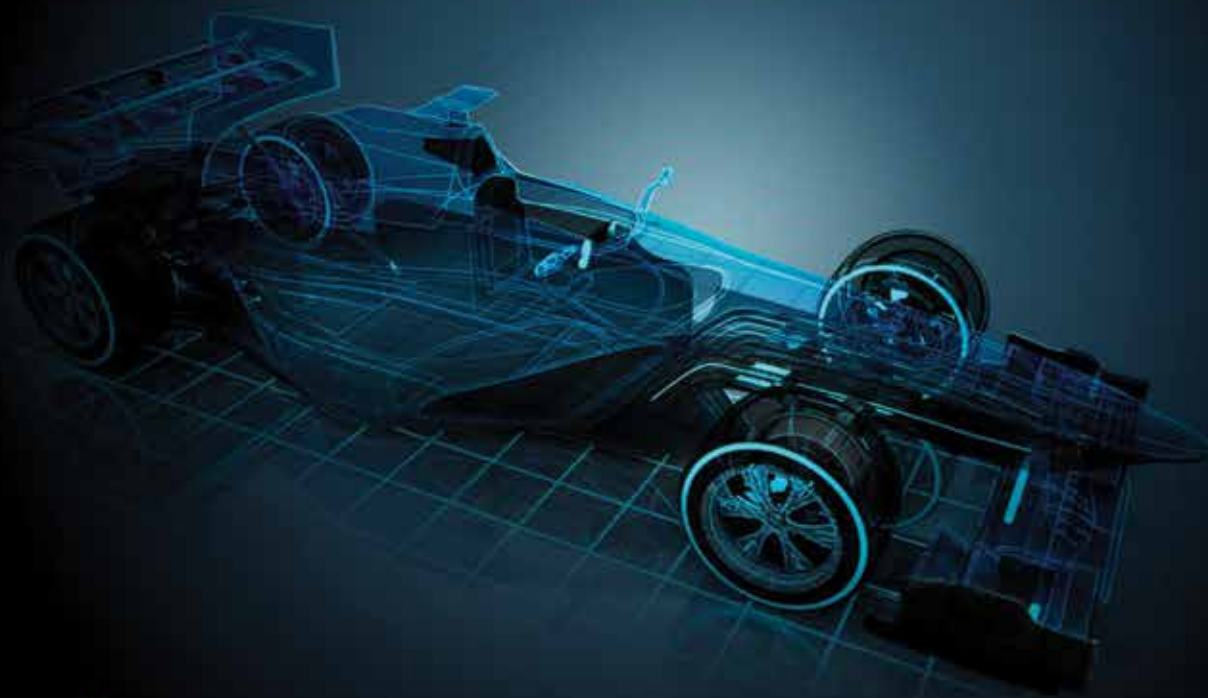
How important to speeding up digitalisation trends has the development of e-government services for citizens and businesses been?

Globally, digitalisation is a consequence of the constant and continuous development of IT, which has led to the reorganising of society and the global economy, the transformation of existing professions and the emergence of new ones, and the creation of a more efficient system. The fact is that, until just a few years ago, you had to queue up to obtain a document, thus wasting your precious time. By forming a team that deals with e-services, the state ensured a much faster service and communication with the state for citizens. As those services became active, citizens requiring some service from the state became aware of the existence of that service and began utilising it. It was necessary for citizens to be digitally literate to use the services. On the flip side, e-government services are also used by businesses, which were already digitally literate, although e-gov services additionally accelerated the flow of information between the economy and e-government, thus additionally promoting the development of digitalisation. So, e-government services have contributed significantly to both the development of digitalisation among companies and the development of digital literacy among citizens.

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The Pandemic Has Impacted Every Aspect Of Business

COVID-19 brought numerous changes to almost all areas of our lives. We spoke with experts from top tax advisory and auditing firm LeitnerLeitner about the impact of the pandemic on digitalisation, tax policy, HR and auditing, and discovered that some of these changes have been for the best



JELENA KNEŽEVIĆ, Partner, Leitner Leitner

SERBIA STILL HAS ROOM FOR PROGRESS

During the pandemic, and also in the post-covid period, the countries that have done a lot on digitalisation are the countries that rapidly and, in some ways successfully, confronted the situation and now continue to operate under the new circumstances, making them more resilient. The Government of the Republic of Serbia recognised the importance of digitalisation and the development of e-government, which has contributed to significant development in this area over the past few years.

Digitalisation, as one of the priorities of

the Serbian government, transforms the way the public administration works and elevates the country's economy, transparency and quality of work. The New system of fiscalization and the introduction of an electronic invoicing system represent another step forward in the digitalisation of operations; the idea is to speed up and simplify businesses' operations, while it certainly also contributes significantly to the green agenda.

Nevertheless, in addition to the reform efforts made at the state and local levels, Serbia still has room for progress in some areas of business. The latest publication of the Foreign Investors Council's, the 2021 White Book, recommended, among other things, amending the property tax law and ensuring the valuation of property at a fair value for corporate income tax purposes, as well as facilitating the use of digital signatures to make them available to the largest number of citizens. The White Book is just one of many mechanisms of the Foreign Investors Council for continuous and successful dialogue between the Government of Republic of Serbia and the business community. The FIC acts jointly and never stops seeking new opportunities to contribute and act as a unified voice and the driving force in the further development and improvement of the business environment.

The White Book is just one of many mechanisms of the Foreign Investors Council for continuous and successful dialogue between the Government of Republic of Serbia and the business community



IVANA PAVKOVIĆ, Senior Project Manager & HR/Payroll Manager

WORKPLACES CONTINUE TO EVOLVE IN RESPONSE TO PANDEMIC

The COVID-19 coronavirus became the accelerator for one of the greatest ever workplace transformations, most of all transforming the ways we work, learn and communicate, and, of course, changing where we work. The COVID-19 pandemic inspired and compelled HR leaders and their teams to think and adapt their work environment to the new circumstances. In early 2020, companies quickly transitioned to a remote work model. In-person teamwork shifted to online collaboration methods. The reality of working from home was unexplored territory for most employees. HR managers were at the centre of these pandemic-generated changes from the beginning and had to face many new topics. They had to manage between new health and safety requirements, support managers under the new circumstances, reduce staffing in some cases, and keep up with a lot of technical requirements and administrative processes.

Despite all these changes, the workplace continues to evolve in response to COVID-19 even after more than two years. As organisations and HR teams look ahead, it's important to review what's changed and how those changes will impact the future of business and serve to reinvent the role of HR.

TANJA ĐURIĆ, Senior Audit Manager

THE AUDIT PROFESSION IS BECOMING MORE DIGITAL

Global developments related to the COVID-19 pandemic have also impacted the work of auditors. Companies that are being audited are adjusting to the changing environment as it relates to their businesses and operations, including financial reporting processes, disclosures in financial statements and their ability to maintain operations for the foreseeable future. Correspondingly, auditors have had to adjust the ways they obtain sufficient appropriate audit evidence on which to base their audit opinion, amid challenges relating to, among other things, access to people or information, revising the identification and assessment of certain risks of material misstatement, and altering planned audit procedures or performing alternative or additional audit procedures as appropriate. If there is a positive side to this significant challenge for auditors, it is that the audit profession was already on a journey to becoming more digital, and pre-existing investments in digital capability have allowed many firms and practitioners to adapt to the new circumstances relatively quicker than other industries.



TIJANA DJUGUMOVIĆ STOJKIĆ, Tax Manager

TAX RATE INCREASES LOOMING

Global developments related to the COVID-19 pandemic have also impacted the work of auditors. Companies that are being audited are adjusting to the changing environment as it relates to their businesses and operations, including financial reporting processes, disclosures in financial statements and their ability to maintain operations for the foreseeable future. Correspondingly, auditors have had to adjust the ways they obtain sufficient appropriate audit evidence on which to base their audit opinion, amid challenges relating to, among other things, access to people or information, revising the identification and assessment of certain risks of material misstatement, and altering planned audit procedures or performing alternative or additional audit procedures as appropriate. If there is a positive side to this significant challenge for auditors, it is that the audit profession was already on a journey to becoming more digital, and pre-existing investments in digital capability have allowed many firms and practitioners to adapt to the new circumstances relatively quicker than other industries.

We're Continuing With Reform Processes

In the new reform cycle, our wish is to create a Tax Administration that's integrated into the taxpayers' natural and business environment and for us to become an institution that defines the interests and needs of the business community towards the Ministry of Finance and the Government of the Republic of Serbia



It was in May this year that Serbia's new Law on Fiscalization began to be fully implemented, which contains solutions that are applied in many advanced economies. "This law differs significantly from the previous one, firstly because it enables the application of more advanced technological solutions and provides for the more efficient control of taxpayers, and thus better results in the area of suppressing the grey economy," says Dragana Marković, director of the Tax Administration of the Republic of Serbia.

In the new fiscalization system, the Tax Administration has at its disposal a larger volume of data and the possibility to better analyse risk. "This results in a more rational and much more effective system of taxpayer controls. Specifically, controls are only conducted on those taxpayers assessed by risk analysis as not fulfilling their legal obligations in the prescribed manner. Another advantage of the new model is that it reduces taxpayers' costs, because unnecessary administration is eliminated and a better and more favourable business environment is created," explains Marković.

What do you see as the next important step in digitalising the work of the Tax Administration?

The Tax Administration has spent years working intensively on the digitalisation of its operations, which can be best seen by taxpayers through the use of the Tax Administration portal, via which they can submit their tax returns, obtain confirmations of tax obligations settled or receive insight into the state of their obligations. The basic emphasis is on the digitalisation of the most massive key tax procedures. In that sense, we have completely digitalised the determining of income tax on self-employment in a flat rate amount. Digitalisation actually represents the essential foundation for the next step in developing the tax administration, which is the automation of operational processes.

The Tax Administration faces a challenging period. Drafting the document "Redesign of Operational Processes" is expected to be completed this year. This will be followed by the procurement of a tailored commercial solution – software, which will enable the Tax Administration to access all essential information for taxation that's in the possession of the Tax Administration or other establishments, institutions and businesses. The procuring of a ready-made commercial solution – software – creates conditions for its implementation, which is a very complex process.

LEADERSHIP

The Tax Administration of the Republic of Serbia confirms the crucial role it plays in the fight against Serbia's grey economy with its activities

CAPACITIES

According to statistics at our disposal, the Republic of Serbia has in excess of 1,400 inhabitants per tax officer, while that ratio is significantly lower in neighbouring countries

AUTOMATION

Digitalisation represents the essential foundation for the next step in developing the tax administration, which is the automation of operational processes

The new Tax Administration Control Centre opened recently. To what extent does existing data enable you to more easily identify companies that are more likely not to comply with regulations?

With the opening of the new Control Centre, the Tax Administration gained a powerful, modern tool to effectively combat the grey economy that enables the identifying of all established businesses on the territory of Serbia that issue invoices in accordance with the new fiscalization system. Data from fiscal invoices issued on the basis of the new model of fiscalization flow into the Control Centre in real time. Processing the data received through the applying of analytical models of risk analysis makes it possible to effectively monitor and control taxpayers who are at risk of tax evasion. Simultaneously, thanks to the new fiscalization system, devoted taxpayers are spared from unnecessary controls.

With the help of the IMF, the Tax Administration is working to create a separation of its core and non-core activities, in an effort to increase efficiency. How much progress has been made on this work?

It is common knowledge that the process of reforming the Republic of Serbia's tax administration began years ago, while it was formally

launched with the adoption of the Transformation Programme 2015-2020. This has been recognised by all key actors in the country and abroad as one of the most important reform activities – not only in the area of public finances, but also in the process of modernising the Republic of Serbia's entire public administration system. We carried out reform activities during the noted period, the most important of which I will list here: we identified and separated primary and secondary activities, established a new organisational structure of the Tax Administration and reduced the number of branches from 178 to 37, converted all tax returns into electronic form, enabled the issuance of eCertificates and strengthened communication between taxpayers and the Tax Administration significantly.

The Government of the Republic of Serbia adopted the new Tax Administration Transformation Programme for the 2021-2025 period on 20th May 2021, and that document envisages the creation of a modern and efficient institution that safeguards sustainable and predictable public finances, a Tax Administration that is "invisible" to the taxpayer, yet present and available in all places and provides a digital service that's completely adapted to the taxpayer at all times.



INTERVIEW ■

The strategic goals that we've defined with the Transformation Programme are: 1. Establishing operational processes and organisation aligned with the best international practice, with the goal of increasing collections of public revenue; 2. Advancing the quality of existing services and introducing new types of services adapted to the needs of taxpayers; 3. Profiling new tax officers with an exceptional level of professionalism and competence, as a result of further developing the human resources function.

To what extent are the positive effects of the digitalisation and automation of the Tax Administration's work sufficient to respond to the lack of capacity that you face?

The all-encompassing process of digitalising and automating work has contributed to certain tax administration activities being performed faster and more efficiently. However, alongside this, it is essential for the Tax Administration to employ additional staff, primarily law graduates, economists and IT experts. The need for new staff can be illustrated by the fact that more than 10,000 officers worked at the Tax Administration in 2005, while today the Tax Administration employs 4,638 tax officers. Likewise, according to statistics at our disposal, the Republic of Serbia has in excess of 1,400 inhabitants per tax officer, while that ratio is significantly lower in neighbouring countries. In an attempt to successfully resolve the chronic staff shortage, the Tax Administration recently announced a public competition to hire 262 highly educated trainees.

The grey economy has been identified as one of the biggest challenges confronting our country's economy. How satisfied are you with the results achieved over the previous two years?

The Tax Administration of the Republic of Serbia confirms the crucial role it plays in the fight against Serbia's grey economy with its activities. Over the last two and a half years, the Tax Police have filed 1,263 criminal charges for illegal sales of excise goods and seized excise goods with a value exceeding 300 million dinars. The Tax Police's activities within the scope of combating the grey economy are also directed towards making early detections of enterprises that help companies avoid paying public revenues and are among the main drivers of the grey economy, so-called "laundering" and "phantom" enterprises. A total of 680 such companies were identified during the previous two and a half years.

When it comes to the control function, almost 62 billion dinars of newly discovered public revenues were calculated during the previous two and a half years. In controls of the recording of turnover via fiscal cash registers or devices, over 10,000 controls were carried during the last two and a half years, which also included checks on the employment and legal status of workers. As a consequence of the confirming of irregularities, the measure of temporarily banning the carrying out of activities was applied in 38.3% of cases, primarily in commerce,



The Control Centre records the issuance of 11 million invoices per day on average. Up to 8,000 checks of the authenticity of fiscal invoices are carried out by consumers on a daily basis

hospitality and other service activities. We must also note that almost 300 controls were carried out in cooperation with other inspection services – market, sanitary, metrological, communal and labour inspections – as well as with the Interior Ministry of the Republic of Serbia.

Both local and foreign companies continuously point out the need to improve the transparency of the Tax Administration's work. What are you doing on your part to introduce greater consistency in the work of the Tax Administration?

With the aim of improving client-like and fair relations with taxpayers, in order for them to voluntarily service their tax obligations, the Tax Administration works constantly to improve the transparency of its operations.

Taxpayers have all necessary information at their disposal through numerous channels of communication, including the Tax Administration website, contact centre, media, social media and "Your tax officer" counters. The website is tailored to taxpayers, i.e., it is client-oriented.

Taxpayers can also receive information under the jurisdiction of the Tax Administration via telephone (0700-700-007 and 011-33-10-111) or by completing an electronic form on the Tax Administration website. Special counters have also been opened at 37 branches, at which taxpayers can receive, in direct communication with tax officials, all required information with the aim of encouraging them to voluntarily settle their tax obligations, such as information regarding the application of tax regulations, assistance in completing their tax returns and requests to exercise their rights in the tax procedure, information on case progress, clarification of adopted decisions, as well as insight into the state of tax liabilities and claims on public revenue accounts.

You signed a memorandum in the area of tax policy on behalf of Serbia at the Open Balkan Summit. How important is this area when it comes to removing barriers to doing business on the Western Balkans' future single market?

The Memorandum of Understanding and Cooperation among the tax administrations of the Republic of Serbia, the Republic of North Macedonia and the Republic of Albania, within the framework of the Open Balkan initiative, will contribute significantly to deepening regional cooperation in the field of tax policy. The signing of this memorandum confirmed the intention to continue and develop cooperation aimed at improving the overall efficiency of the work of tax administrations, the joint fight against organised crime and the combating of the grey economy. With the advancing of mutual cooperation, through the providing of assistance and actively exchanging knowledge and experience in the implementation of projects and activities of mutual interest, we can expect myriad benefits, particularly in the area of adopting advanced tax collection methods and in the overall modernisation of the operations of tax administrations.



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2010

Investment in material assets in Kraljevo (covering the western and central part of the country)

2012

Purchase and installation of Lindeman shear and shredder zerdinator

2016

Opening of plastic recycling division

2017

Establishing the recycling center in Novi Sad (covering the north part of the country)

2018

Opening of the non-ferrous recycling division

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2022

Installation of solar panels and transitioning to green energy in Kraljevo

2021

Purchase and installation of the Lefort shear

2020

Opening of the waste tire recycling division

No Easy Tasks During Turbulent Times

It would be critical in the days ahead for the new Serbian government to maintain macroeconomic stability – i.e., to curb inflation and keep the fiscal deficit and public debt under control – while improving the management of state-owned enterprises ~ Nicola Pontara



With the war in Ukraine continuing and the global crisis remaining far from being overcome, experts suggest that Serbia's robust post-pandemic recovery might be under threat. And this is squarely in the focus of the World Bank in Serbia, which is supporting continuing reforms in several sectors.

What, if anything, is at the disposal of the new government to address this challenge?

The year 2022 has been a challenging one for the world economy. The war in Ukraine, higher food and energy prices and disruptions to international supply chains have caused a major slowdown in global growth. Serbia is no exception: in 2022, the economy is also feeling

the repercussions of these phenomena, which have resulted in greater fiscal pressures, rising inflation and slower growth (our GDP growth projection for Serbia is now 3.2%, down from our earlier pre-war projection of 4.5%). It would therefore be critical for the new government to maintain macroeconomic stability – that is, to curb inflation and keep the fiscal deficit and public debt under control – while improving the management of state-owned enterprises (SOEs). The country also faces longer term structural challenges that require action to improve skills and productivity, and to embark decisively on a just and green transition.

Many are pointing out that Serbia was slow to implement internal reforms needed to place state-owned enterprises on a solid financial

COMPETITION

Despite being a net food exporter, food prices in Serbia have increased faster than in other European countries, suggesting a need to promote competition

EMPLOYMENT

Unemployment levels have fallen over the last decade, but the quality of jobs has also declined and Serbia's labour productivity is less than half the EU average. Action on multiple fronts is thus required

RISKS

Further waves of COVID-19 infection and rising global financing costs could both place additional pressure on the state budget, leading to increased public and external debt

footing. What is your view of this possible threat to fiscal stability?

The Serbian authorities carried out impressive reforms on the SOEs front in recent years, privatising and restructuring many of them to promote competition. But important sectors remain dominated by prominent SOEs – think about EPS, Telekom Srbija and Srbijagas, which are big enough to constitute a major burden on the budget. Let's take the energy sector as an example. EPS has incurred some significant losses, starting in 2021, due to unexpected imports of coal and electricity at very high prices, requiring significant subsidies from the state budget. It would be important for the new government to reinvigorate the SOE reform agenda, focusing on strengthening their commercial orientation and corporate governance – not only in the energy sector, but across the economy.

How well has Serbia been maintaining macroeconomic stability, and what do you see as the most prominent downside risks that could materialise by the end of 2022 and in early 2023?

Serbia did well on the macroeconomic front in the years leading up to the pandemic, building fiscal buffers to respond to the impact of COVID-19 and avoid a hard landing. The economy posted a minor recession in 2020, followed by a healthy rebound in 2021, with growth reaching 7.4%. Facing global headwinds, the National Bank of Serbia (NBS) started tightening monetary policy last autumn. Inflation is, by and large, imported via higher international prices and remains a persistent challenge. Despite being a net food exporter, food prices in Serbia have increased faster than in other European countries, suggesting a need to promote competition. Risks that could cloud Serbia's outlook include further waves of COVID-19 and rising global financing costs: both could exert additional pressure on the state budget, leading to increased public and external debt.

Many interlocutors, including the Foreign Investors Council, point to the need for faster structural reforms to boost productivity, increase competition, invest in human capital and strengthen governance. In which areas has Serbia performed well to date; and where should the Government press the accelerator?

Prior to COVID-19, the Serbian economy was growing at an average rate of around three per cent per year and maintaining macroeconomic stability. But there are challenges: price competitiveness in lower value-added sectors is eroding; productivity growth is stagnant and the population is ageing fast. Average annual growth of three per cent is not enough for Serbia to close the gap on key

comparative countries in the EU. Raising that rate of growth requires reforms and the key ingredients of such a new growth agenda include: (i) boosting quality public and private investment; (ii) coordinating skill-building with the private sector; (iii) raising the productivity of private enterprises; (iv) expanding and greening exports; and (v) unleashing competition through governance reforms. Policies need to adapt to the post-pandemic world, which is all about more resilient, greener and digitalised economies.

By the same token, the independence of public institutions has still not been fully achieved. How do you perceive the lack of progress in this area during such times of pronounced instability?

Digitalisation can play an important role here, in order to make institutions more transparent and accountable; increase the quality and transparency of services to citizens and businesses; and strengthen trust in public institutions. Our Enabling Digital Governance Project supports the digitalisation of feedback mechanisms available to citizens. The ongoing Real Estate Management Project achieved

significant improvements in the cadastral register, including the digitisation of property registries. We are also supporting the application of the digital public procurement portal and the TRIGGER process, which identifies specific transparency steps relevant to citizens and businesses that the government is willing to take. So, I wouldn't say that there hasn't been progress on this front, but there is certainly room for further improvement.

Since the World Bank discontinued its Doing Business report in 2021, how do you address, for instance, business regulatory costs that are still seen by many domestic and international investors in Serbia as being high and unpredictable?



It would be important for the new government to reinvigorate the SOE reform agenda, focusing on strengthening their commercial orientation and corporate governance – not only in the energy sector, but across the economy

INTERVIEW ■

The government has simplified administrative procedures to start a business and introduced incentives to help innovative companies develop and grow – including tax incentives for company founders, tax credits for R&D and tax breaks for hiring new staff. It is very important to foster a healthy ecosystem for innovation, entrepreneurship, and start-ups – which can be an engine of growth and job creation. We have been supporting this agenda, in partnership with the European Commission, through our Accelerating Innovation and Growth Entrepreneurship Project. The digitalisation of government services is important not only from a standpoint of transparency and trust, but also because it cuts the costs of doing business. Although some efforts have been made to digitalise government-to-business services, this still only represents a small subset. Increasing the number of available services, focusing on making the most frequent and costly ones easy to use and reliable, could contribute significantly to easing the administrative burden on businesses.

Labour shortages across almost all sectors and education profiles represent one of the relatively new threats to growth. What are you doing to support labour market participation in Serbia?

This is a complex question. On the one hand, unemployment has more than halved over the last 10 years, falling from above 20 per cent in 2012 to around 10 per cent in 2022. On the other hand, the quality of jobs has declined. Moreover, labour productivity in Serbia is less than half the EU average and no longer aligns with more advanced economies. Action is required on multiple fronts. In education, the quality of learning needs to improve from early childhood (we are supporting this agenda with our Early Childhood Education and Care Project) through to the tertiary level – ensuring that the skills acquired are relevant to the labour market and high-demand sectors. And let's not forget the 20 per cent of young adults who are currently neither in education nor the labour market. Training, re-training and lifelong learning programmes can also create better opportunities for job seekers and help improve the labour supply in critical areas where jobs are needed. On the institutional side, well targeted Active Labour Market Programmes that focus on vulnerable groups can support their employability.

More broadly speaking, the Building Human Capital for Long Term Prosperity Report, published by UNICEF Serbia and the World Bank, shows that human development sectors – education, health, and social protection – are essential to boost human capital and support long-term inclusion, wellbeing and productivity growth. What have we lost on that road during COVID-19; and how well prepared are we to return to a positive trajectory in those areas?

The findings of the Serbia Human Capital Review, conducted in collaboration with UNICEF, point to reduced spending on human development and declining productivity. Outcomes in health and education vary depending on gender, socioeconomic group and geographical location. The global pandemic exposed the limits of social protection systems, which weren't sufficiently flexible to adjust during emergency times. Let me focus on health and social assistance. COVID-19 jeopardised the delivery of preventive and curative care services. Going forward, it will be important to focus on



The inclusion agenda is important: it is about giving all children a good start with high-quality and inclusive health and education services, regardless of gender, place of residence or belonging to specific socioeconomic groups, like the Roma

the growing burden of non-communicable diseases and to continue important reforms aimed at improving the quality and effectiveness of healthcare services. Spending on social assistance will need to shift more towards means-tested poverty programmes (like financial social assistance and child allowances). The inclusion agenda is important: it is about giving all children a good start with high-quality and inclusive health and education services, regardless of gender, place of residence or belonging to specific socioeconomic groups, like the Roma.

Residential heating is a major source of air pollution in Serbian cities, and one that's mainly linked to poor families and communities. The World Bank Board of Directors recently approved a \$50 million equivalent loan for the Scaling Up Residential Clean Energy (SURCE) Project. How could this project contribute to a just green transition?

Through its matching grant mechanism, the SURCE Project will contribute to several objectives related to the Just Green Transition: reducing the energy and carbon intensity of the residential sector; improving air quality by incentivising the replacement of solid-fuel fired boilers; and increasing heating comfort levels, especially for lower-income households. It will also yield several additional benefits of green investments, including increased energy security for households, the creation of new jobs retrofitting single-family homes, and enhanced opportunities for private firms to provide services in the energy efficiency market.

How Does One Become An Agriculture Leader?

With the arrival in Serbia of Al Dahra, which is known as a global leader in the agricultural industry, new standards were set for our market in terms of operations, production processes and product quality

It has taken this company less than four years to take one of the leading positions in our country's agricultural sector, while it is also – together with Al Dahra Romania – the largest producer of agricultural products in the region and one of the largest in Europe. Here we discuss this great achievement with Al Dahra Serbia CEO Dušan Radičević.

"If we observe Al Dahra at the global level, we are talking about an international agribusiness leader that has over 5,000 employees, spans across 20 countries and serves 45 markets. We cultivate more than 400,000 hectares of land, with 1,200 ancillary facilities and a stunning 15 cutting edge animal fodder processing plants with a combined annual production capacity of three million metric tons of alfalfa and other grazing crops," notes Radičević. Al Dahra's biggest markets are in the Middle East and Asia, "but," explains our interlocutor, "that's only in a quantitative sense, as the company gives equal importance to all markets, partners and end users."

This agricultural giant was nonetheless awaited by major tasks upon arrival in our country. "When Al Dahra launched operations in Serbia, we encountered numerous challenges on the ground. Our greatest success is the fact that we've taken less than four years to revitalise the production of the former PKB agricultural combine," says Radičević, before adding: "we invested 60 million euros – twice as much as was specified in the contract – and we didn't have to wait long for the first results. With dedicated work and



One of the foundations of our successful operations are our long-term relations with business actors and local communities. This is also applicable in Serbia, where we this year allocated 100,000 euros for social responsibility projects

good organisation, we quickly stabilised operations, modernised the machinery and infrastructure, reconstructed ancil-

lary buildings and farms, cleared irrigation canals, cleaned up wild dumpsites, increased production and improved the position of employees significantly by increasing their wages by 30 per cent, alongside additional bonuses."

When it comes to inclement weather, Radičević stresses that, according to the assessments of EU experts, we are witnessing what is probably the worst drought in the last 500 years, and poor weather conditions haven't bypassed our country. "However, according to preliminary assessments, we are far above average, which is a remarkable achievement given the circumstances. Unfavourable climatic conditions can't be avoided, but possible ramifications can be forestalled through the use of modern technologies and 'precision' agriculture – planned irrigation, the use of satellite images, soil analysis and controlling heavy machinery remotely.

Al Dahra Serbia currently utilises the methods of precision agriculture on 5,000 hectares, while the plan is to cultivate a further 2,000 hectares in the same way by year's end. "Apart from this, we plan to invest 80 million euros in our irrigation and soil drainage project over the next four years," explains Radičević, before concluding: **"the future of agriculture will be closely linked to the development of technology and the digitalisation of production processes. Provided we follow world trends and keep pace with the times, I'm convinced Serbia will become one of Europe's leading countries in agronomy."**

Supporting A Green Balkans

A new dedicated branch, EIB Global, is helping us foster strong partnerships within the European Commission-led Team Europe structure and increase support for projects in the areas of renewable energy and the green transition. In line with the Green Agenda for the region and “just transition”, the EIB intends to expand its involvement in the energy and environmental sectors



Historically, transportation has been one of the main sectors funded by the EIB. In the last decade alone, the EU bank has invested over €9.5 billion in the Western Balkans.

“Since we started our operations in the Western Balkans, we have invested €5 billion in the transportation sector”, says Alessandro Bragonzi, head of the European Investment Bank’s regional representation for the Western Balkans. “One of our most ambitious projects is financing the highway sections of the Pan-European Corridor Vc in Bosnia-Herzegovina, connecting the country with Croatia and Hungary and facilitating commuting for 50% of the country’s population”. The EIB has unlocked €1 billion for this project to date.

“We have provided €2.3 billion to the transport sector in Serbia, contributing to the construction and rehabilitation of safer roads, railway sections, bridges, tunnels and bypasses. The largest EIB-financed project so far was the construction of a motorway along

Our new Transport Lending Policy will be the blueprint for supporting the rollout of new innovative technologies — as well as mature Paris-aligned projects — to enable the transition of the transport sector to decarbonisation and depollution, safety and security, accessibility, greenness and efficiency

Corridor X. The Bank provided €579 million to help develop road links between Serbia and Bulgaria, Serbia and North Macedonia and on to Greece. It helped to connect and integrate the Western Balkan countries regionally and with the European Union by creating the shortest routes to connect Central and Eastern Europe.

“Large-scale projects along the major corridors have enabled the Western Balkans to make a contribution to their prospective EU integration and the acceleration of trade and economic relations. For example, the construction of a new border crossing and bridge in Gradiška as part of Corridor Vc facilitated the flow of goods and people from Bosnia-Herzegovina to Croatia and on to the EU single market — many were previously stuck on the border for up to eight hours. Similarly, the construction of the Niš-Merdare road section — as part of the corridor connecting Southern and Eastern Europe — will enhance regional connectivity (Serbia with Albanian ports on

CONNECTIONS

Large-scale projects along the main corridors have enabled the Western Balkan countries to make a major contribution to their prospective EU integration and the acceleration of trade and economic relations

PROGRESS

In light of the current energy crisis, it is critical to contribute to a more sustainable energy mix with renewable energy. Serbia has made significant progress in that respect

SUPPORT

Organisations like the FIC are an important link between all market players, helping to facilitate dialogue and create a good environment for businesses and investors

the Adriatic Sea), and the development of the districts of Southern and Central Serbia. The EIB is providing €100 million to finance the project, in addition to €40 million in EU grants," says Bragonzi.

"In addition to funding road infrastructure, the EIB is a lead financier for the modernisation of railway networks, which are a greener and more efficient mode of transportation. In Serbia, the EIB is already financing the reconstruction of the Niš-Dimitrovgrad railway section, with other railway routes on Pan-European Corridor X (such as Niš-Belgrade) under appraisal or currently being prepared. Finally, we are providing €100 million to support the improvement of inland waterway navigation along the Sava and Danube rivers, in combination with EU grants. Inland navigation is crucial for providing sustainable transport links, promoting faster economic exchange and offering new development opportunities for local municipalities and countries in the region."

Do you consider that Serbia and the region are ready to take a giant stride towards sustainable, efficient and diverse sources of energy?

I would say that the current energy crisis is accelerating these processes, underscoring the importance of energy mix diversifica-

tion and supply independence.

As the EU climate bank, the EIB is committed to mobilising up to €1 trillion of investments in climate action and environmental sustainability projects during this decade. As a result, we have scaled up our green financing, and in 2021 this reached over 50% of our global investments. This will help us increase our technical support for our clients, helping them to develop new, sustainable projects.

The EIB is also supporting the REPowerEU. This initiative was recently adopted by the European Commission and aims to rapidly reduce dependence on Russian fossil fuels and fast-forward the continent's green transition. The plan envisages a series of short and long-term measures, including subsidies for vulnerable customers, faster deployment of renewable energy, decoupling of electricity and gas prices and increased diversification of the energy supply to respond to rising energy prices in Europe and replenish gas stocks.

Most countries in the Western Balkans still rely heavily on coal or lignite for power production and, in light of the current energy crisis, it is critical to contribute to a more sustainable energy mix with renewable energy. Serbia has made significant progress in that

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INTERVIEW ■

respect, particularly via the adoption of new laws helping the renewable energy and energy efficiency sectors. However, more has to be done, and the EIB is committed to analysing and assessing both public and private sector-led projects that contribute to achieving the climate goals.

How are your projects that relate to the construction of sewage and wastewater treatment systems throughout Serbia advancing?

The EIB is providing €35 million in financing for the construction of the sewage system in Palilula Municipality, together with substantial technical assistance for related project preparation. The project is moving forward and tenders have been launched for the design of the sewage network in Krnjača and Borča, as well for the wastewater plant. This project will enable 173,000 people to access sanitation services, thus protecting the environment and public health.

We are also providing €40 million for the modernisation, replacement and extension of water and sanitation infrastructure in a number of municipalities across Serbia, which will increase access to drinking water and sanitation services for 600,000 people. This project is benefiting from a €10.8 million investment grant from the EIB's Economic Resilience Initiative (ERI).

Small and medium-sized enterprises were hit the hardest by the pandemic. And they are now suffering due to inflation and high energy prices. What kind of EIB support can they expect?

Within the €1.7 billion financial package delivered to the whole region as part of the EIB's own contribution to the European Commission initiative for recovery from the coronavirus pandemic, the majority of funds were allocated to small and medium-sized enterprises (SMEs).

Our recent EIB Enterprise Survey shows that companies in the Western Balkans remain credit constrained, mostly due to complicated procedures and higher interest rates. Although 10% of respondents report losses from extreme weather events in the last three years, only 21% of companies are investing in energy efficiency. They also need to speed up the digitalisation process to ensure competitiveness and adherence with the global value chains.

To increase access to finance, we have unlocked close to €400 million since 2020 for Serbian small businesses. EIB funds have been made available, primarily via banks, to companies operating in a variety of sectors, under favourable and flexible conditions when it comes to extended maturities and lower interest rates. With €200 million signed with the Development Fund of Serbia, we are also supporting the Recovery and Development programme implemented by the Ministry of Economy and the Development Fund, which is



The EIB has secured investments in the Serbian health sector worth 250 million euros. We are glad that the Clinical Centre of Serbia, as part of those investments, recently opened its renovated building – a new wing encompassing an area of 86,000m², equipped with the latest medical equipment, where 800 patients will be able to be accommodated

expected to stimulate economic activity, protect over 47,000 jobs and create conditions for the creation of 5,500 new ones.

Viewed as a whole, how much has the overall business climate in Serbia improved to support domestic and international investments over the years? As a member of the FIC Board of Directors, how do you see the Council's contribution to creating a level playing field for doing the business?

Organisations like the FIC are an important link between all market players, helping to facilitate dialogue and create a good environment for businesses and investors. Serbia remains a leader in the Western Balkans for foreign direct investments, with the majority coming from the European Union. This is an indicator that the country is on the right track when it comes to proximity to EU standards and providing fertile business conditions.

The modernisation and improvement of public healthcare systems in the Western Balkans is among the EIB's priorities. Which of the projects in Serbia would you single out?

The EIB has provided €250 million of investment for the healthcare sector in Serbia. We are glad to see that one of these investments, the Clinical Centre of Serbia, recently opened its newly renovated building — a new wing spanning 86,000m² with the most advanced medical equipment and able to accommodate 800 patients. The EIB funds also contributed to the renovation of 20 hospitals in Serbia, along with the Clinical Centre in Niš and Novi Sad, leading

to the improvement of healthcare services for over 3 million people and increased resilience to crises like the coronavirus pandemic.

The EIB has also agreed a loan of 65 million euros as support to the "Linked Schools" programme in Serbia. Could we say that schools will be more ready this year to switch to online teaching if necessary?

This is certainly one of the goals of the project you refer to, and many improvements have already been made in hundreds of schools in Serbia. Our financing aims to support the national digital education investment programme by improving the digital infrastructure and teaching materials in schools with the provision of new digital equipment, the upgrade of the academic network, rollout of high-speed internet and training in digital skills. As a result, it will provide a massive boost to the development of innovation and digital businesses and the overall economic growth of Serbia, ensuring that everybody receives equal opportunities to benefit from the new possibilities of a digital era.

Coping Responsibly With Crisis

Uncertainty is now the main characteristic of the business environment. Our response to the crisis is to create agile commercial policies, to identify and mitigate all kinds of risk and to maintain our financial liquidity ~ Iosif Vangelatos

Agility and adaptability are the two main virtues for every organisation to navigate the complexity of our times. This is how Iosif Vangelatos, General Manager of Inos Balkan, explains the essence of handling the uncertain times in which we live.

How is Inos Balkan performing in 2022 and what are the main challenges that you face moving forward?

This is a very specific year for the global economy, as well as the Serbian economy and, of course, our organisation. The enormous financial stimulus that both the U.S. and the EU provided in 2021, in order to boost economic recovery in the post-COVID-19 era, created high demand for products and services. Many investment plans became feasible and found appropriate financial support, while prices of energy, metals and other commodities were spiking.

Though a lot of concern emerged among many financial analysts in terms of inflation, key policymakers around the globe were looking for the correct mixture of measures to fight inflationary pressure without killing development.

In that pre-existing context, the global economy was confronted by the consequences of the war in Ukraine. The strong dependence of the EU economy on Russian fossil fuel resources, and potential disruptions to the energy supply chain, created a new hike in prices of natural gas and petroleum.

Uncertainty is now the main characteristic of the business environment. Our response to the crisis is to create agile commercial policies, to identify and mitigate all kinds of risk and to maintain our financial liquidity. We are trying - always in close cooperation with our partners - to resolve all supply chain disruptions, to secure the sourcing of raw materials for our production units, while at the same time keeping a low level of inventory, in order to anticipate huge fluctuations in prices of commodities.



The steelmaking industry is facing the challenge of decarbonisation. Increased public concern, growing investor interest in financing sustainable projects, as well as stricter legislative requirements on CO₂ emissions, are dictating the way

To what extent will the energy crisis influence the decarbonising process of the steelmaking industry?

Steel, which is maybe the most important engineering and construction material, is today present in all aspects of modern civilisation. However, we must keep in mind that, for every ton of steel produced, an average of 1.85 tons of carbon dioxide is emitted into the atmosphere, equating to about eight per cent of global carbon dioxide emissions (as per 2018 data). The steelmaking industry is facing the challenge of decarbonisation. **Increased public concern, growing investor interest in financing sustainable projects, as**

well as stricter legislative requirements on CO₂ emissions, are dictating the way.

The technological solutions available for the decarbonisation of steelmaking were shaped before the outbreak of the war in Ukraine, but the emerging energy crisis will now determine the feasibility of each method. Steel is produced either using a blast furnace (BF)/basic oxygen furnace (BOF), where iron ore is the main resource or an electric arc furnace (EAF) and in which secondary raw materials - scrap - is used. Decarbonisation methods aim to replace carbon as a reductant (natural gas, biomass and hydrogen are the main alternatives) and thus reduce the CO₂ emissions of the steelmaking process. The current increase in the price of natural gas, as well as potential disruptions in the supply of Russian natural gas, may negatively influence the steelmaking industry's decarbonisation efforts, as many steelmakers had chosen natural gas-related methods. Nevertheless, on the other hand, the same conditions may accelerate the transition to net-zero steel production by boosting hydrogen-related or CO₂ capturing investments.

Making Difficult Choices Must Be A Key Government Task

Limited policy space and more difficult access to financing means that policymakers will have to be very selective and targeted in their spending and investment moves. Being more selective will also be essential to ensure that economic imbalances do not disproportionately hurt the most vulnerable segments of the population



The current global environment is tumultuous. It is hard to escape headlines around the world about accelerating inflation, slowing economic activity, the unfolding energy crisis, high uncertainty and rising hardship for many people. This creates a very difficult situation for policymakers, also in Serbia, as they simultaneously face quickly diminishing policy space to respond, says our interlocutor, Yulia Ustyugova, Head of the IMF in Serbia. “Making difficult choices will have to become a key task for the new Serbian government,” she adds.

The IMF’s assessment of the Serbian economy has been positive throughout the pandemic. What is your view of current policies vis-à-vis new challenges impacting GDP growth?

The challenges facing the Serbian economy are complex. The spill-overs from the war in Ukraine and the energy crisis have disrupted Serbia’s strong recovery from the COVID-19 pandemic. Following economic growth of 7.4 per cent in 2021, growth in 2022 is projected to be markedly lower, at 3.5 per cent. This is dampened by the impact of high inflation on consumer demand, supply disruptions and reduced external demand. Driven by soaring global food and energy prices, inflation has hit double digits. In addition, major challenges have risen in the energy sector, with shortfalls in domestic electricity production coinciding with high global energy prices.

Preserving macro-fiscal and financial stability, and mitigating the impact of continuing external shocks, are appropriately at the centre of authorities’ attention. They acted swiftly to maintain financial stability, help companies navigate the international sanctions regime and supply chain disruptions, mitigate the pass-through of high global commodity prices via regulation and provide financing for energy imports. Monetary policy is being tightened. The authorities have also started securing the energy supply for the coming winter. That said, there is more to be done in the energy sector. The recent energy crisis exposed the lingering risks to fiscal sustainability and growth caused by weak SOE governance and investment planning. There should therefore be no delay on developing and implementing comprehensive financial, operational and governance reforms in the main energy SOEs.

DIRECTION

The economic policy agenda, supported by the Policy Coordination Instrument with the IMF, remains an appropriate anchor for the near term

RESPONSE

Adopted government economic measures, capping the rise in food prices on the domestic market, could be an acceptable response to a short-lived shock causing moderate social and economic strain

DIGITALISATION

The focus on digitalisation will be instrumental for Serbia's transition to a knowledge- and innovation-based economy that's attractive to high-quality FDI

How are you assessing current monetary and fiscal policies as they relate to inflation?

High inflation is a pressing issue for all policymakers worldwide. The recent rise in inflation in Serbia to 12.8 per cent year-on-year in July 2022 has aligned with increases throughout Europe, although the level of inflation has remained below the average for Eastern Europe. The rise is mainly driven by increasing food prices and—to a lesser extent—energy prices. As recognised in our previous report, the observed tightening of monetary policy by the NBS, including five consecutive policy rate increases starting in April 2022, is important for curbing inflation, but the data may well call for tightening to continue.

Assuming continued monetary tightening in Serbia, as well as in the Euro area, we project inflation to subside and return to the target band over the two-year projection horizon. Of course, this projection is predicated upon Serbia maintaining an appropriate policy mix, with monetary policy tightening accompanied by continued fiscal consolidation. Specifically, fiscal policy should avoid untargeted support measures that create demand pressures on inflation and focus more on supporting the vulnerable.

Have you discussed the reforming of publicly-owned companies with the Serbian Government?

We have been discussing these questions with the authorities on a regular basis, together with other international partners like the World Bank and the EBRD. When it comes to reforms of publicly-owned companies, the second review under the Policy Coordination Instrument calls for urgent financial, operational and governance reforms in the main energy SOEs. As I've already mentioned, the disruptions to domestic electricity production in the context of high international energy prices have greatly increased energy costs for Serbia's economy and the government budget. Mitigating these problems requires not only the adjusting of energy tariffs, which is needed and welcome, but also the implementing of more fundamental



While trying to address the immediate problems, policymakers will also need to think longer term. This is an old piece of advice, but it remains highly relevant. With economies facing uncertainty and complex crises, the premium on upfront structural reforms is now higher than ever

governance reforms in the energy SOEs. Accordingly, the IMF-supported programme focuses on implementing the SOE ownership and governance strategy. For the near term, it envisages the adopting of a new law on ownership management for SOEs and changing the legal status of Elektroprivreda Srbije (EPS) to a joint stock company. Additional steps will be discussed during the next IMF mission to Belgrade.

Moreover, the second review emphasises the importance of formulating and rolling out – without any delay – a new energy investment strategy to underpin reliable energy supply, which is vital for the business environment and the greening of energy generation in Serbia.

What does Serbia additionally need to do to preserve the strong influx of investments and job creation? What conclusions have you drawn from your talks with the representatives of domestic and foreign investor associations, such as the FIC?

In the current context of high uncertainty and external shocks, the immediate priority is to preserve macroeconomic and financial stability. This is important because it helps ensure a more predictable environment for existing and new businesses. With regard to other longer-term priorities, we share many of the views expressed by the FIC and other investor associations that emphasise the

need to continue improving the investment climate, strengthening rule of law and enhancing governance. Such reforms would further anchor confidence and improve competitiveness, thus maintaining Serbia's attractiveness for FDI, and should not be delayed.

Rising energy prices and green transition costs may both jeopardise the poorest sections of society. What is needed for green transition to be conducted in a manner that's fair to the poor?

It is true that higher energy prices typically hurt poorer households more than richer ones. In the view of the IMF, governments should increasingly focus their policy efforts on providing vulnerable

INTERVIEW

households with income support without distorting the marginal price they pay for energy. Such support measures can take various forms. They can target households below a certain point of the income distribution. They can include additional direct support to low-income households for essential, non-energy expenditures (education, health, food) that are at risk of being squeezed by higher energy costs. In this context, it is particularly important to strengthen



The IMF team will be visiting Belgrade in October for the third review under the PCI and will revise the economic outlook for Serbia, taking into account both global spill-overs and Serbia-specific factors that mitigate these external shocks

national social safety nets, so they can be used to provide transfers to a higher share of households. In fact, strong social safety nets are also critical for supporting vulnerable communities and covering their costs of transitioning to a greener economy.

In Serbia, amending the government decree on the protection of energy vulnerable customers by expanding the coverage of potential beneficiaries would be a timely step to protect poorer households when domestic energy tariffs are rising. We also welcome the new Social Card Registry and Social Care IT system that help more precisely identify who needs help the most. In our view, with the enhanced integrated systems in place, there could be a case for expanding social protection coverage, benefit levels, or both, in a fiscally sustainable manner.

Is today the right time to raise energy tariffs, given the uncertainty over proper heating levels and possible power outages during the coming winter?

Since early last year, global oil prices have roughly doubled, coal prices have quintupled, and natural gas prices in Europe increased

ten-fold. For most of this period, Serbia's energy tariffs have remained largely unchanged. The fiscal costs of such a gap between import prices and domestic tariffs, however, have been growing.

In general, temporarily suppressing tariff increases could be an acceptable response to a short-lived shock. However, it looks increasingly likely that a substantial part of the increase in global energy prices is here to stay. This means that countries like Serbia should gradually phase out costly broad tariff support measures and adapt to higher import energy bills, to ensure that energy companies and other businesses can be profitable over the medium term and are able to invest in the future.

Therefore, we do think that policies should continue shifting away from broad-based support, such as broad energy tariff controls, to more targeted relief, such as transfers to the lower-income households that suffer the most from higher energy bills, as we already discussed. In our view, the increases in energy costs should be gradually passed on to end-users, also to encourage energy-conserving behaviour and energy efficiency investments. With persistently higher energy prices, a reallocation of demand and production toward less energy-intensive activities is inevitable, and policies should not indefinitely postpone the necessary adjustment, but rather ensure a reasonably smooth transition. The recent increases in gas and electricity prices in Serbia are steps in the right direction.

As for power outages, it is our understanding that the authorities are making everything possible to ensure a continuous and reliable energy supply throughout the coming winter.

The end of one year is often a good time to reflect on the year ahead. What is your view of the economic landscape, globally and for Serbia, in 2023?

The headline of the recent World Economic Outlook (WEO) Update, which addresses the views of the IMF on the economic landscape, is "Gloomy and More Uncertain". There has been a sharp slowdown in global growth, with negative quarterly growth in the second quarter of 2022, reflecting GDP contractions in China, Russia, and the United States. The world economy is seeing higher inflation trigger tighter monetary policies and financial conditions, a worse-than-anticipated slowdown in China, reflecting COVID-19 outbreaks and lockdowns, the energy crisis and further negative spill-overs from the war in Ukraine. In July, global growth projections for both 2022 and 2023 were downgraded to 3.2 and 2.9 per cent respectively, which is 0.4 and 0.7 percentage points lower than April's projections. The IMF is currently preparing new updated global projections that will be released in October.

What is clear now is that the risks to the global outlook are overwhelmingly tilted to the downside. As elaborated in the WEO update, the war in Ukraine could lead to the sudden halting of European gas imports from Russia; inflation could be harder to bring down than anticipated; tighter global financial conditions could induce debt distress in emerging market and developing economies; renewed COVID-19 outbreaks and lockdowns, as well as a further escalation of the property sector crisis, might further suppress Chinese growth; and geopolitical fragmentation could impede global trade and cooperation.

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The Crisis Will Take **Its Toll**

Mounting inflationary pressures are weighing in on the disposable income and input costs of businesses, while financing conditions are tightening as central banks around the world fight inflation. Worsened expectations of global and European growth are set to spill over onto the Serbian economy. Yet we believe that the Serbian economy will continue to grow at the same pace as it did in 2022



Serbia is a resilient country that boasts a relatively well-diversified economic structure, supported by hard-earned macro-financial stability. This was evident during the pandemic-induced shock and the subsequent strong rebound. We expect growth to continue, though at a more moderate pace, as the increasingly challenging global macroeconomic environment takes its toll, says Matteo Colangeli, EBRD Director for the Western Balkans, with whom we spoke soon after the formation of the new Serbian government.

Around 35% of last year's EBRD investments were directed towards environmental infrastructure, renewable energy, circular economy and resource efficiency across the Western Balkans. For how long can this trend be sustained, given the ongoing energy crisis and the decision of many countries in the EU to reconsider coal?

The crisis has only prompted governments to consider emergency action to ensure the security and affordability of the energy supply because we didn't reduce energy waste and develop sufficient clean energy sources fast enough. More low-carbon energy, improved energy efficiency in industry, buildings and transport, coupled with more energy storage, would have helped ease the current crisis, while faster transition from fossil fuels to clean energy is the best way to exit this situation.

Energy efficiency is the key to addressing many of today's critical challenges. Demand-side action has a particularly important role to play now that global energy prices are high and volatile, hurting households, industries and entire economies, as that offers immediate opportunities to reduce energy costs and reliance on imported fuels.

While the crisis is telling us that we should increase our energy efficiency targets and production of renewable power, the extreme events of this summer, with unprecedented heatwaves and detrimental droughts, are telling us to invest in technologies and solutions that are environmentally sustainable.

How does the EBRD intend to help the Western Balkans, and Serbia specifically, to accelerate its green economy transition? Do you see real commitment on the side of the Serbian government to improve waste management and increase recycling?

GROWTH

We believe the Serbian economy will grow at a robust 3.3 per cent in 2022 and continue at a similar pace next year

E-GOVERNMENT

The digitalisation of public administration is a key area to improve business climate and maintain the country's attractiveness as investment destination

AGILITY

A massive wave of energy efficiency investments is needed to ensure affordability and preserve the competitiveness of the Serbian economy

Accelerating the transition to a green economy is our single most important objective in the Western Balkans and we will deploy substantial and increasing resources to support governments in creating conducive regulatory environments and catalysing private sector investments across all areas – energy, transport, building renovation and environmental infrastructure, such as waste and wastewater treatment facilities. A current example that we are particularly proud of is a programme across 11 municipalities to introduce renewable energy sources in district heating generation through technologies involving photovoltaic, geothermal, heat pumps and waste heat recovery. This is precisely the kind of innovative and forward-looking approach that we would like to foster across the region.

When it comes to waste management and recycling specifically, the Serbian government adopted a new National Waste Management Programme earlier this year, which is an important step towards developing an integrated system and transitioning to a circular economy. The programme includes ambitious objectives in terms of the rate of recycling and the elimination of biodegradable waste in landfill sites. We are fully supportive of these targets and working closely with the Ministry of Environmental Protection to make both knowhow and financing available. We are very proud of our two landmark investments in this sector: the Vinča project, which is the first and largest environmental PPP in the region; and our regional solid waste management programme that will upgrade facilities serving a population exceeding two million people.

To what extent does the current policy mix reflect the changing economic realities, such as narrower fiscal space? What would you recommend to the new Serbian government?

Serbia entered the current global crisis with a robust medium-term growth outlook and macro-financial stability. Monetary policy tightening, in response to elevated inflationary pressures, has been timely and warranted. Fiscal policy measures are rightfully aimed at shielding households from rising prices, particularly in terms of food, which accounts for nearly double the consumption expenditure in Serbia compared to the EU. While blanket fiscal measures are a popular choice for governments around the EBRD regions and easy to implement, these have significant fiscal costs. Targeted support would reap the greatest benefit at the least fiscal cost, but it requires a higher level of administrative capacity and the reform of social assistance systems, backed by a robust

social registry. Accelerating the development of renewables, stepping-up efforts to scale up energy efficiency and focusing investments on crucial infrastructure would help reduce the fiscal burden of energy imports and support future energy security. Reform efforts to increase financial and operational standing, as well as corporate governance, in the public sector and among state-owned enterprises, come at no fiscal cost, while they would limit the fiscal risk.

Improving the governance of state-owned enterprises is a longstanding issue that's quite often been poorly addressed by former Serbian governments. What are the necessary preconditions for stronger progress in this area?

Reforms needed to strengthen the governance of state-owned enterprises typically require strong political commitment and long timelines. The improvement of corporate governance and the commercialisation of state-owned enterprises underpins market economies, but should also benefit state enterprises themselves, by bringing more efficient operations, as well as society as a whole, through improved quality of services and less reliance on the state budget. All of this requires a clear definition of objectives for the management of state-owned enterprises, as well as careful monitoring of whether and how those objectives are delivered upon.

Serbia took a positive step with the adoption of the Strategy for State Ownership and Management of Business Entities Owned by the Republic of Serbia for the period from 2021 to 2027, which EBRD supported in preparing. The strategy sets a clear vision for reforms that have the potential to contribute to economic growth, reduce fiscal risks, and ultimately improve the welfare of citizens. It is now time for this ambition to be turned into law and secondary regulation, with the Ministry of Economy expected to take the lead. When it comes to implementation, it may be worth considering a phased approach, where the new framework and practises will first be introduced at enterprises of greater importance to citizens and the economy.

In that respect, EPS proved to be particularly weak, and its status is worrisome under the new circumstances and with a very tough winter season expected. What sort of support can EBRD offer under these new circumstances?

EPS and the entire Serbian energy system face tough challenges this winter. Energy saving is the priority in the immediate

We are committed to investing in the green transition, ready to support Western Balkan countries in their decarbonisation efforts, and bullish about the scale of green investments in the coming years

INTERVJU

term, but this crisis, and the structural changes it is triggering in energy markets, should provide the opportunity to embark on a new path. A massive wave of energy efficiency investments is needed to ensure affordability and preserve the competitiveness of the Serbian economy. And, coupled with that, an ambitious plan to ramp up renewables, specifically through the launch of competitive auctions to allocate capacities and tap into the strong existing interest among private investors. We are deeply engaged on all these aspects and stand ready

As Serbia has built up a base of export-oriented companies and proved an attractive market to foreign investors, it stands to benefit from global supply chain re-organisation, particularly in terms of nearshoring given its proximity to EU countries

to step up our support in terms of financing and creating the most conducive environments to develop energy efficiency and Renewables to their full potential.

How well are the Serbian government and Serbian companies utilising digitalisation as a tool for growth? How prepared are SMEs for such a change?

The pandemic clearly triggered the acceleration of digitalisation at all levels of the economy. We see very strong interest among Serbian SMEs in 'traditional' sectors to up their game in the digital space, and today more than half of the business advisory projects we deliver in the country include a digital component. When it comes to start-ups, Serbia has a vibrant eco-system that we are nurturing at all levels: working with accelerators and innovative companies individually, through a well-established regional programme called Star Ventures. We are also providing direct financing to support the local digital champions that are expanding their reach beyond Serbia to become regional and global players. HTEC and the substantial acquisition financing we provided to them is an example that brings us a particular sense of pride.

Furthermore, we have been engaged materially in recent years to support the digitalisation of business inspections. And we've just now launched a new project to streamline permitting processes for renewable energy projects.

To what extent is Serbia ready to take advantage of the re-organisation of global supply chains?

Serbian exports have seen robust growth in the past decade, with manufacturing companies leading goods exports and ICT and business services leading service exports. As Serbia has built up a base of export-oriented companies and proved an attractive market to foreign investors, the country stands to benefit from global supply chain re-organisation, particularly



in terms of nearshoring due its close proximity to EU countries. The main challenge should be to continue gradually moving away from attracting resource-intensive production towards more sophisticated activities of higher complexity and added value. In addition, strengthening the linkages between foreign direct investors and local companies would help maximise benefits for the broader economy through productivity and technological spill-overs.

How, in that respect, do you see your role as a member of the FIC Board of Directors?

Pragmatic and transparent dialogue between the government and private sector is paramount for a healthy business environment, and it is a dynamic that we are keen to support across the region through different initiatives. We think the FIC plays an important and constructive role in Serbia and are pleased to contribute to its activities, including through my membership on the Board of Directors. Serbia is well placed to continue attracting a strong flow of investments and we are determined to play our part in maximising economic opportunities for this country and its people.

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Digital Transformation Remains Our Priority

A significant shift in the field of digitalisation has been achieved over the past five years. Yet there is still room for significant improvements, and speeding up digitalisation remains one of the main areas of focus for the FIC

If it was required to summarise the past year and select one area in which significant progress has been achieved in Serbia, FIC Vice President and A1 Serbia and A1 Slovenia CEO Dejan Turk would certainly choose digitalisation. "Bearing in mind the catalysts of change over the last couple of years, the greatest progress has been made in the field of digitalisation, which was a logical consequence of the circumstances." The awareness of citizens regarding digital literacy has begun to change, and state institutions are following these changes at an accelerated rate. The effects are visible in both business processes and society as a whole," considers Turk.

According to our interlocutor's summary of the progress achieved: "Electronic transactions are strongly on the rise, and contactless payments through the use of digital wallets are more accessible. Significant progress has been achieved in the section of the legal framework that enables the further digitalisation of financial services. Networking individual databases between different institutions has enabled the increasing of efficiency and savings when undertaking administrative procedures. Taking into account global happenings, it is also important to mention the establishing and functioning of "green corridors", in cooperation with the European Commission and the delegation of the EU, which should safeguard supply chains and provide for both goods and haulage workers to be able to travel wherever they need without delays."

In which areas have you been able to contribute the most with your expertise and knowledge?

Digital transformation has been a priority for us for several years already. We are living in a new order in which there is constant growth in the use of cloud technologies, remote work is an everyday reality, new digital business models are developing and large amounts of data are being transferred. The use of ICT technologies has become synonymous with efficiency, as it enables major savings, advances the quality of products and services, shortens the time required to complete tasks and reduces administration.

Business and social life are unfolding online more and more, which has placed focus of another important topic, and that's protecting security and data. The number of cyberattacks is increasing practically on a daily basis. Companies' security practises need to be in step with the pace of digital transformation. That means that it isn't enough to



merely think about how to speed up a certain process, but rather how to speed it up safely and securely.

As a company that's simultaneously both an internet and an ICT provider, we have great responsibility to support businesses in the right way and provide them with adequate solutions that will enable them to keep pace with the challenges of the market.

How, from that perspective, would you evaluate the quality of dialogue with the business community regarding new and amended regulations?

INNOVATION

In comparison to the EU, Serbia has relatively good institutional and normative foundations for innovation and digital transformation

POTENTIAL

out of office work provides new opportunities in the form of employing people from local areas and harder to employ categories, representing an additional motive to harmonise labour legislation

CYBER SECURITY

As an internet and ICT provider, we have great responsibility to support businesses in the right way and provide them with adequate solutions enabling them to keep pace with the challenges of the market

The first dialogue on the topic of speeding up digital transformation was established five years ago, and this area remains one of the main focus areas for the FIC. Plenty has been done since then, from the managing of the business framework to the improving of the efficiency of state institutions and providing better services to both legal entities and private individuals. In comparison to the EU, Serbia has relatively good institutional and normative foundations for innovation and digital transformation.

According to the Analysis of the current situation in innovation and the process of digital transformation from November 2021, which was conducted by NALED, more than 50% of enterprises in Serbia today consider digital transformation as a prerequisite for market survival, which is significantly more than was the case five years ago. Space exists for significant further improvements, but great progress has nonetheless been achieved.

Digitalisation and data protection has been one of your priorities over the previous two years. Has the protection of personal data in Serbia (awareness or regulations regarding this issue) reached the level of EU solutions, i.e., has it been harmonised with the best European practice?

Serbia has gained its Personal Data Protection Law, which is harmonised with the EU's General Data Protection Regulation. It is largely aligned with the GDPR and European regulations, but there is still room to raise awareness regarding this issue, but also to improve and adapt it to local needs with the aim of ensuring its better implementation in practise.

Have Croatia, Hungary, Romania, Bulgaria and Greece already launched their first 5G networks, or are they in an experimental stage? What do you expect from the Government of the Republic of Serbia with regard to the announced tender? How are experiences of other markets regarding this issue?

In all the countries that you mention, 5G has been made commercially available. Given that we are part of the A1 Telekom Austria Group, we

have first-hand experience – in Austria, Bulgaria, Croatia and Slovenia – that is extremely positive. For the sake of comparison, according to the Ookla Map on the representation of 5G around the world, internet

speeds in countries that have introduced a 5G network reach between 200 and 490 megabits per second, while the average speed in Serbia is 49 megabits per second.

At A1 Serbia, we are dedicated to development in accordance with the new spectrum and are fully prepared for the introduction of 5G technology, as well as the tender that we hope will happen as soon as possible. We invest major resources in network development, and both the economy and users rely on us. In that context, we are hopeful that the state will recognise the significance of our long-term investment in 5G technology and that the initial price of the spectrum will be acceptable, and aligned with the pricing trend that was achieved around the region last year.

We likewise hope for clear predictability of the conditions for holding the actual auction.

COVID-19 has brought numerous changes to our lives, including the shift to work from home, remote work and hybrid work. How prepared are we institutionally to keep pace with these changes and how should the Labour Law be adapted to the new circumstances?

Out of office work has become established in a large number of industries. Employees expect today's employers to apply some form of out of office work, which is no longer viewed as a benefit. With us, this practise also existed even before it was imposed on us by global events. Taking into consideration the fact

that out of office work also provides new opportunities in the form of employing people from local areas and harder to employ categories, an additional motive exists to harmonise the valid legislative framework with existing practise. This means enabling employers to shape an environment that best meets their work organisation needs in such a way that it respects the rights of both employers and employees.



We are hopeful that the state will recognise the significance of our long-term investment in 5G technology and that the initial price of the spectrum will be acceptable, and aligned with the pricing trend that was achieved around the region last year. We likewise hope for clear predictability of the conditions for holding the actual auction

We're Stronger Together

Foreign investments are an important lever of economic development that gain even greater importance under the conditions of the challenges to foreign policy and health that we face today. Export-oriented partnerships between foreign and local companies contribute to the growth and stability of the economy



Over the last ten years, foreign investors – together with domestic ones – have contributed significantly to the unemployment rate falling from 19.3% in 2012 to 9.5% in 2022. FIC member companies alone have invested approximately 36 billion euros and currently employ more than 100,000 Serbian citizens directly.

“Alongside these direct effects, foreign investors have provided an immeasurable contribution to the development of SMEs in Serbia, which represent the mainstay of every economy’s development. Many of our entrepreneurs have become important links in the value chains of major global companies, and not only as suppliers of raw materials, but rather also as suppliers of semi-finished products and services. Many export-oriented partnerships have been created that have resulted in positive effects

on Serbia’s overall foreign trade balance,” says Ana Govedarica, FIC vice president and spokesperson and Roche general manager.

“It shouldn’t be forgotten that it was actually partnerships with large corporations that enabled a better credit rating for the domestic SME sector, but also more favourable loan conditions from commercial banks that monitor their operations,” notes our interlocutor. “In parallel with monetary investments, members of the Foreign Investors Council have brought to Serbia, but also permanently advance, something with positive effects that are measured over the long term: the transfer of knowledge and new technological solutions, but also a new corporate culture that’s gaining ever more significance. We are witnessing the new millennial generation taking on a key role in the labour market, and the way they experience companies and careers differs markedly from their predecessors.”

EU INTEGRATION

The FIC provides strong support to all government bodies working towards strengthening the preparedness of all local companies to compete on the EU market

SYNERGY

Many of our entrepreneurs have become important links in the value chains of major global companies, and not only as suppliers of raw materials, but rather also semi-finished products and services, with positive effects on Serbia's overall foreign trade balance

TECHNOLOGY

In parallel with monetary investments, FIC members have brought to Serbia the transfer of knowledge and new technological solutions, but also a new corporate culture

In your opinion, what's the FIC's greatest achievement in this regard?

– It could be said that almost all activities of the Foreign Investors Council are directed towards a single goal, and that's the creation of predictability in doing business and improving the business climate for all market players, regardless of their size and country of origin. We are aware that this is about a continuous process in which the Government of the Republic of Serbia is our key partner, with which the Foreign Investors Council has institutional cooperation through the Working Group for the Implementation of White Book Recommendations.

When it comes to EU integration, the FIC provides strong support to all government bodies working towards strengthening the preparedness of all local companies to compete on the EU market.

How did you manage to maintain dialogue within the FIC membership and with stakeholders and the business community in general during the time when we were all confined to our homes?

– There are many examples of the participation of all sector-specific FIC committees in the shaping of regulations and measures of the Government of the Republic of Serbia, and in a completely neutral way. An important factor of cohesion within the FIC, i.e., among its member companies, is the fact that the Council organises a large number of formal and informal internal activities with which constant communication, both sectoral and intersectoral, is enabled.

This then led to member companies continuing essential dialogue, even during the situation that saw us all confined to our homes - via all the digital platforms that were available - and sharing their experience of running various types of operations under the new circumstances. The crisis situation actually brought our member companies even closer together.

The pharmaceutical industry represents one of the FIC's eight priority areas. What kind of progress has been achieved in that area and what are your expectations for the next year?

– As someone who comes from the pharmaceutical sector,



you won't begrudge my weakness in singling out the excellent results achieved by the FIC in my own industry. Specifically, the last two editions of the White Book prioritised the need to systemically finance innovative medicines, i.e., central budget subsidies for the budget of the National Health Insurance Fund (RFZO) intended for that very purpose. And I can say that we met with full understanding among all actors – the RFZO, the Ministry of Health and the Ministry of Finance. A budget of around six billion dinars was set aside and allocated to finance 26 new medicines/indications from several therapeutic areas (diabetes, oncology, cardiology, haematology, multiple sclerosis, hepatitis C, psoriasis and haemophilia). The entire process of negotiating and contracting the terms and conditions of financing new medicines was conducted in accordance with criteria established by the Central Commission for Medicines, alongside intensive activities among representatives of the RFZO and pharmaceutical companies, and everything culminated with the concluding of multiple models of special contracts with which the best European practice was adopted. A major stride forward was thereby taken with regard to the availability of the latest therapies for our patients, while at the same time a new goal was set for the FIC Pharma

Thanks to the FIC Pharma Committee recommendations contained in the last two White Books, a major stride forward was taken with regard to the systemic financing of innovative medicines and the availability of the latest therapies for our patients

Committee, and the FIC as a whole, and that is to secure the repeating of the described process every year, which then leads us to a position that's long since been desired: that we can justifiably say that patients in Serbia are treated in terms of medical therapy in the same way as patients in countries that are more economically developed than ours.

Digitalisation Is Our Imperative

Companies adjust their operations and business policies in almost real time, and the Foreign Investors Council, as their shared house, endeavours to respond to the new needs that they have as a result of the challenges brought by the new reality at the global level



The last two years have brought major changes to our daily lives, but also to the way companies, our members, do business, says FIC Executive Director Aleksandar Ljubić. The “new normal” has strengthened awareness among companies that they face the same or very similar problems, regardless of their sphere of activity. This has impacted on the development of more intensive communication, but also the creation of new areas of cooperation within the FIC, explains Ljubić. “As a reminder, together with our partners from the EU Delegation in Serbia, at the time of the pandemic’s outbreak and the general shutdown, the FIC played an important role in the establishment of “green corridors” that enabled supply chains to continue without interruption, but also prevented the collapse of many small and medium-sized enterprises,” notes our interlocutor. Members are today focused on the green agenda, waste management, renewable

energy sources, the circular economy and related issues. “It should thus be stated that our member companies, following the policies of their parent companies, almost 80% of which are headquartered in EU countries, are carbon neutral,” says the FIC’s executive director.

Digital transformation has “accelerated” in the last two years, which the FIC, or its member companies, advocated for strongly even before the start of the pandemic. “The Council has once again shown itself to be a reliable partner of the Government of the Republic of Serbia, which has marked digitalisation as one of its agenda’s key priorities. We are proud of the initiatives and expert contributions of our members that have produced results in this area and have already been implemented in practice, or can expect to be implemented in the near future, such as the digitalisation of bills of exchange, video identification and the application of electronic signatures in the cloud,” says our interviewee.

DIGITALISATION

we're continuing to advocate for the further acceleration of the digitalisation of financial services, first and foremost through data exchanges between the Tax Administration and companies (primarily financial institutions) based on the model of a large number of EU countries

EURO INTEGRATION

We will call on the EU to provide even stronger support to Serbia on its path to Europe, because it seems to us that this is vital during these challenging times

ANNIVERSARY

At November's presentation of the White Book, we will formally commemorate our 20 years of continuous commitment to the development of a predictable, competitive and sustainable business environment

The FIC launched a serious and extensive initiative at the end of 2020 for the digitalisation of financial services in Serbia. "The aim is to enable almost all financial services to be conducted electronically quickly and free of problems, and for them to be made available to clients, which should lead to the removal of so-called bottlenecks in companies' operations," explains Ljubić.

How have communication strategies evolved at a time when we were all switching to digital tools? From the perspective of the FIC, what's the next priority in the area of digitalisation?

As a business community that brings together large global companies that operate in Serbia and that was advocating for digitalisation in all fields even before the outbreak of the COVID-19 pandemic, we must emphasise that the pandemic only accelerated the use of various digital tools in the operations of our members generally, but also in our communications. We had also previously relied very successfully on so-called hybrid models, because one shouldn't forget that our members, who come from different economic segments, operate in different parts of Serbia, and it was actually digital tools that enabled communication in real time and the ever more intensive need for coordination, but also exchanges of important information between members. We are aware of the fact that, both during and after the pandemic, the use of digital communication tools will remain highly present in business communication between companies. That's why we're continuing to advocate for the further acceleration of the digitalisation of financial services, first and foremost through data exchanges between the Tax Administration and companies (primarily financial institutions) based on the model of a large number of EU countries, and which would eliminate the need for paper documentation. Such solutions would enable, for example, the fully online purchasing of credit products, facilitated and made more accessible to the widest circle of citizens through the use of digital identities/signatures, in a simple way and without high costs. The Foreign Investors Council is simultaneously ready to provide maximum support to raising the digital literacy of citizens.

How did you organise this year's dialogue with the EU Delegation and the European Commission, given your advocacy for Serbia's faster integration into the EU?

By developing an enduring and stable partnership with the EU Delegation in Belgrade, but also with the European Commission in Brussels,

the FIC has continued to promote the advantages of the European path and provide an active contribution to Serbia's European integration. We have no dilemma over EU membership being the path that Serbia should and must take. On this journey, the FIC remains consistent in its advocacy and in actively contributing by placing its capacities at the country's disposal, particularly in the area of implementing structural

reforms of the Serbian economy, advocating for the corporatisation of public enterprises, the finalisation of the privatisation process, but first and foremost sustainable financial consolidation. In order for this to be implemented, it is necessary to safeguard the improvement of the applying of regulations and to maintain continuous and open dialogue between the Government and the business community. It is only in this way that we can ensure the long term and sustainable improvement of the business climate, and the transparency and predictability of the business environment as a whole, which is important to both our members that have already invested in Serbia and to new investors.

How do you see the Foreign Investors Council developing over the next 20 years?

The FIC marks its 20th birthday this year. At the time of its 2002 establishment, 14 companies, then leading foreign investors in Serbia, with the support of the OECD Investment Compact SEE, recognised the need to actively promote and develop a predictable, competitive and sustainable business environment through open dialogue with the authorities and other significant stakeholders in the society and economy. Today, 20 years on, the

Foreign Investors Council brings together about 120 members that have together invested approximately 36 billion euros and employ more than 100,000 Serbian citizens. Within our membership we gather renowned global companies and bilateral chambers of commerce, while the European Investment Bank (EIB) and EBRD are institutional members of our Board of Directors. The circumstances confronting the Serbian and world economy have changed significantly over the past 20 years, and the Council has changed with them, in order to adapt to those changes and respond as effectively as possible to the challenges that our members primarily face, thereby providing a contribution to advancing the overall business climate in Serbia. The values that we've advocated for will also remain priorities in the coming period, and our key pillars remain: independence, transparency, expert knowledge, best international practices and, above all, support for European integration.



We are proud of the initiatives and expert contributions of our members that have produced results in this area and have already been implemented in practice, or can expect to be implemented in the near future, such as the digitalisation of bills of exchange, video identification and the application of electronic signatures in the cloud

Positive Results Are Clearly Visible

Despite the negative external factors, it is clearly visible that activities have continued around institutionally improving conditions for doing business in Serbia and advancing the country's system for controlling illicit trade

Crisis situations have become a reality of life and doing business during this decade. Following two very difficult COVID years, the world is confronted by a global crisis caused by military conflict. Traditional supply chains have been broken and new alternatives are being sought in a situation that sees us facing a coming energy crisis. This all reflects negatively on the legal operations of businesses, while those engaged in illicit trade adapt swiftly to the new situation and find ways to continue their illegal activities. The negative impact of the grey economy is perhaps hitting the entire economy even harder today – outpourings of funds into illegal flows prevent many countries from realising their social and development plans and needs, while market participants are also confronted by unfair competition, alongside unplanned increases in costs and reduced resources.

Despite the negative external factors, it is clearly visible that activities have continued around institutionally improving conditions for doing business in Serbia and advancing the country's system for controlling illicit trade. The Government of Serbia has kept the fight against illicit trade at the top of its priorities, and has accordingly drafted the National Programme for Combating the Grey Economy for the 2022-2025 period without delay. FIC member companies provided a full contribution to this strategic planning with concrete ideas and recommendations.

The systemic approach to combating illicit trade, with the digitalisation of procedures and specific activities on the ground, provide a clear contribution to achieving positive results. The reform of inspection oversight is certainly among the activities that increase the quality and efficacy of the work of inspection services.



A predictable and efficient tax procedure is one of the key components in combating illicit trade. The Law on Fiscalization and the Law on Electronic Invoicing – which introduced the use of modern technologies with the aim of digitising the recording of turnover, electronic exchanges of invoices and simpler and more efficient controls by state authorities – contribute to positive impacts on suppressing illicit trade.

In addition to all improvements, FIC member companies also take every opportunity to highlight areas that must be advanced to ensure the results achieved are sustainable over the longer term.

It is firstly essential to establish institutions that have a full mandate and capacity, in order for the decisions that they make to be considered valid and obligatory for all.

The additional strengthening of inspection oversight (alongside the securing of an

It is more important than ever to have a regional approach and cooperation in resolving issues related to the combating of illicit trade and the facilitating of legal operations. The companies gathered together in the FIC are ready, as always, for all forms of engagement on that front

adequate number of new inspectors and essential equipment), judges' specialisation in economic violations, as well as unburdening the economy fiscally and administratively, could be categorised as the basic goals that the FIC will continue to insist on pursuing.

Measures applied in the area of policy on excise goods – primarily tobacco, petroleum derivatives and coffee – are among the most sensitive. That's why it's essential to coordinate the work of state services, alongside continuous cooperation with responsible businesses and the educating of citizens, which will ensure the raising of awareness and contribute to additional strengthening of public finances.

Harmonising With The European Acquis Crucial

The legislative framework in Serbia is being gradually harmonised with that of the EU in terms of food safety and quality, though the dynamics of harmonisation differ due to jurisdictions being divided between two ministries for different categories of food products, creating a partial approach to this issue

The aim of food safety policy is to protect consumers while at the same time safeguarding the unhindered functioning of the market. The European Union is focused on the concept of confirming the origin of both input elements (i.e., animal feed) and outputs (i.e., primary production, processing, storage, transport and retail). In Serbia's case, the most visible aspect is the harmonisation of the legislative framework in terms of product safety and quality. However, the dynamics of harmonisation are not the same for all food categories due to the division of responsibilities between two ministries. The issue is being approached only partially, while the classification of priorities in that approach remains unclear. In addition to harmonising with the EU acquis, which has been taken on in certain segments to a significant extent, we also maintain local standards, which means that there's often a clash of requirements and implementation is rendered impossible.

The full harmonisation of regulations in the area of accession negotiation Chapter 12 - Food safety, veterinary and phytosanitary policy, as well as the full implementation of those regulations, should continue to be an imperative, because that's precisely what will enable the more effective protection of consumers, prevent barriers to trade and provide for the unhindered operations of all players in the food business and the trade exchange with the EU – simplifying control bodies procedures that would ensure measures applied for the protection of health are effective, proportional and clearly directed. It is likewise necessary to ensure that participants in the food business (i.e., all



Through the White Book, we have been recommending for years that the authority of institutions be defined with regard to the interpreting of regulations in the domain of food safety and ensuring the mandatory applying of the Ministry's official positions among all participants in the chain

those who produce, process or are in some other way involved in the food production

chain) are well trained and aware of their responsibilities.

The expert working group for agriculture, sanitary and phytosanitary measures within the National Coordinating Body for Trade Facilitation slowed down work on activities linked to the implementation of the action plan for solving foreign trade exchange problems and simplifying administrative procedures during the pandemic. Considering that the economy is also facing new challenges this year as a consequence of economic and political events in Europe, this is the right time to resume working on activities that were previously agreed but remain topical.

Regardless of how demanding the process of harmonising regulations is, applying them in practice is often an even greater challenge. The reasons can often be found in the misunderstanding of regulations and the unbalanced interpreting of the Rulebook, Guidelines and Instructions that are published by the competent ministry, but also in the fact that the institution's responsibility to interpret regulations is unclear. It is often the case in practice that laboratories interpret regulations. We have been highlighting this problem through the White Book for years, with a recommendation to define the authority of institutions regarding the interpreting of regulations in the domain of food safety and ensuring the mandatory applying of the Ministry's official positions among all participants in the chain. It is also important for the safety of consumers and the economy to ensure unified criteria for laboratories when it comes to control analyses and to clearly define the responsibilities of laboratories regarding the interpreting of regulations.

We Need More Digital Solutions

It is essential for the state and the financial sector to work on creating a higher degree of trust in digitalisation. Alongside this, it is important to work on removing legislative barriers that hamper the issuance of digital insurance policies

The outbreak of the pandemic had one good side, and that's accelerating the digitalisation of the financial sector. Prior to the coronavirus crisis, more or less everything was conducted via branches of the financial sector, which was reluctant to transition to digitisation because, on the one hand, regulations didn't allow it, while on the other hand, citizens weren't ready for such changes. Major changes in the field came during the pandemic. Today, in the majority of the financial sector, citizens can complete everything from their armchairs. The state has done a lot on this front and reforms have yielded plenty of good results.

Financial sector services are today available to our citizens 24/7. There is less paper and bureaucracy, and what represents the key advantage of digitalisation is the easy and simple communication and sales process between the client and the financial sector. When it comes to shortcomings, I think two segments exist that require care to be taken. One is trust in digital products. Research shows that citizens in Serbia have little trust in online purchases, even though the majority of them have smartphones. In other words, there is a fear of being defrauded and misled. We currently have a situation in which the financial sector has new digital solutions, but they still aren't being utilised much. It is important here that the state, but also the financial sector, provide their own contribution to creating a higher degree of trust in digitalisation. The second segment is regulation. In insurance, for example, there are still regulations in place that hamper the issuance of digital insurance policies.



We've launched an initiative to organise an annual conference of the financial sector that would include open discussion of all issues related to the advancing of these activities

Our Committee provided its contribution to the development of digitalisation in this segment through active participation in discussions with the National Bank of

Serbia and the Government of the Republic of Serbia on various topics connected to the digitalisation of the financial sector. The next steps, alongside the writing of a proposal for the White Book, are to continue the dialogue with state bodies and initiate new trends in the digital transformation of our sector.

It is extremely important to introduce regular workshops and seminars, in cooperation between the NBS and the financial sector, with the aim of ensuring constructive discussions, exchanging opinions and receiving instructions and directives for identifying the best solutions to protect the rights and interests of users of financial services. Advances must be harmonised with solutions that emerge from the aforementioned workshops. Only the joint work of the financial sector and the regulator can improve our clients' level of protection. Financial sector education is an obligation of us all, or rather the entire financial sector must work continuously, together with regulators, on the educating of all users of financial services. Alongside the educating of users, there must also be work on the educating of judges and other representatives of state bodies directly or indirectly included in the process of protecting users of financial services.

When all of the aforementioned is taken into consideration, the FIC Financial Services Committee has already launched an initiative to organise an annual conference of the financial sector that would include open discussion of all issues related to the advancing of the financial sector. And I hope to have an opportunity to talk about the results of that conference next time.

Steps In The Right Direction

The National Bank of Serbia and the Government of the Republic of Serbia enabled activities on the capital market to unfold unhindered even under extraordinary circumstances, and we expect a gradual return to focusing on the further development of the market to come with the gradual easing of geopolitical tensions

The Serbian capital market has reached a certain level of development, but it seems that – after the onset of the pandemic and the subsequent outbreak of the war in Ukraine – it has reached a certain stagnation. That is certainly largely a consequence of local market actors being oriented towards measures aimed at eliminating the damaging effects of these crisis events spilling over onto their operations, which led to a shift of focus, to a certain extent, away from innovation and development and towards maintaining the existing level of performance. The NBS [Serbia's central bank] and the Government of the Republic



of Serbia enabled activities on the capital market to unfold unhindered as much as possible even under these extraordinary circumstances, and we expect the gradual easing of geopolitical tensions to lead to a gradual return to focusing on the further development of

the market. Here it is expected, first and foremost, that market actors will start conducting transactions to a greater ex-

pects and their advantages and risks. It is likewise expected that REPO [repurchase agreement] transactions, which are now

The period ahead should see greater emphasis placed on educating market participants with regard to the basic characteristics of interest rate swaps and their advantages and risks

tent with financial derivatives that protect them from the risk of rising interest rates, so-called interest rate swaps. In this area, agreement has already been reached with the NBS that, in the period ahead, greater emphasis will be placed on educating market participants with regard to the basic characteristics of these prod-

ucts and their advantages and risks. It is likewise expected that REPO [repurchase agreement] transactions, which are now already traditionally conducted between private banks and the NBS, will be gradually expanded to encompass other subjects. As such, it is to be expected that greater demand for this type of product among businesses would also lead to the further development of the regulatory framework that would support these transactions.



WHITE

Proposals for improvement of the business environment in Serbia

BOOK

Administrative Barriers On The Road To Digitalisation

Regulatory framework incompatibility in the area of environmental protection prevents the installing of cellular base stations, thereby jeopardising the expansion of capacities and the technological advancement of mobile networks

When discussing regulations in the field of telecommunications, the number one problem for us continues to be the incompatibility of the regulatory framework in the domain of environmental protection, which prevents the installing of cellular base stations, thereby jeopardising the expansion of capacities and the technological advancement of mobile networks. Regulations governing this area are not compatible with EU regulations, and the circumstances that see their implementation entrusted to local governments additionally hinders the situation as a consequence of differing practises in cities and municipalities.

Ignorance, fear or a failure of information have for years resulted in the adding of new restrictions even to regulations that are not from the field of non-ionizing radiation protection, such as urban planning documents.

On the other side, we are aware that unjustified concern exists among citizens with regard to the alleged impact of base stations on human health, which is why we should work to educate the population and present facts grounded in science.

This points to the need to reform the regulatory framework in the direction of increased transparency and gaining the trust of citizens in the controlling and measuring of the electromagnetic field, but also the simpler and swifter commissioning of base stations in accordance with standardised and predetermined procedures.

Alongside this, we also expect the adoption of the new Law on Electronic Communications by year's end.

When it comes to digitalisation, our committee sees an opportunity to further the



Online fiscalization, implemented by the Ministry of Finance, and the My Data For My Bank project, implemented by the Office for IT and eGovernment, are both excellent examples of digitalisation

digitalisation of operations in cooperation between the public and private sectors. Public administration procedures have been accelerated markedly though the interlinking of state institutions and the automating of document exchange. We believe that similar cooperation

with state authorities among banks, mobile operators, insurance companies and other businesses can contribute to the increased efficiency and security of operations. Exchanging data with the Tax Administration, the Social Security Register and the Credit Bureau, with the aim of assessing actual creditworthiness and protection against fraud, enabling the verifying of the validity of an ID card through the Interior Ministry in the concluding of a contract or utilising the eGovernment's e-Sanduče [post box] for the delivery of documents, are just a few examples of where we see that potential. Of course, a lot has been achieved already. Online fiscalization, which has been implemented by the Ministry of Finance, as well as the MyDataForMyBank project [Moj podaci za banku] that's been implemented by the Office for IT and eGovernment, both represent excellent examples.

Instituting the fifth-generation network will lead to drastic reductions in data transmission delays, which creates room to apply innovative solutions in industry. The automation and robotisation of business processes using 5G can contribute significantly to increasing productivity. Operating a large number of sensors will enable much shorter response times and reduce room for error, while the way decisions are made will be changed by basing the decision-making process on the large amounts of new data generated by those sensors. However, this is greatly dependent on the ambitions and plans of a country's industries – from agriculture to the auto industry. At the level of private individuals as users, we are awaited by the application of 5G in various fields, from medicine to entertainment.

Regulations Should Track The Changing Nature Of Work

We eagerly await amendments to legal regulations that will recognise contemporary forms of labour and introduce greater certainty in the aspect of the rights and obligations of both employers and employees

There is an unavoidable need to advance labour legislation towards recognising and regulating flexible forms of labour. New concepts of work have gained great momentum and it is now already certain that they aren't passing fads and will outlast the pandemic by far. Employers still have varying approaches in relation to ways of organising employees' work, but when performing duties doesn't necessarily require employees to be physically present on the premises of the employer, they most often encounter so-called hybrid models, which combine working from home and in the office. Existing legal solutions on working outside the premises of an employer address this phenomenon in a different context, like a special type of employment relationship based on performing working duties from home or remotely, and are not tailored to circumstances under which there are frequent changes to working conditions, workspaces, working hours and ways of organising work in general. It likewise doesn't recognise the difference between cases when this kind of work takes place at the behest of the employer, as a reactive measure in the fight against the pandemic, which we witnessed two years ago, and cases in which employers provide the opportunity to work beyond the premises of the employer as a type of employee benefit.

The lack of legal solutions and existing legal shortcomings have exposed employers to many dilemmas concerning the adequate regulating of work from home or remote work over the previous two years, especially in terms of the need to formal amend employment contracts, i.e., to conclude an



It is essential for digitalisation in business operations to be followed by the modernisation of the base regulation that governs labour relations, in a way that explicitly enables the adoption of all labour legislation acts in the form of an electronic document

employment contract annex, the possibility of regulating work from home through unilateral acts of the employer, obligations concerning the implementation of health and safety measures at work, as well as

reimbursing costs incurred by working beyond the premises of an employer. Despite the recommendations and instructions of the competent bodies proving helpful in overcoming the observed problems, they cannot represent a reliable permanent support pillar for the regulating of labour relations, and we eagerly await amendments to legal regulations that will recognise contemporary forms of work and introduce greater certainty in the aspect of the rights and obligations of both employers and employees.

The need for flexibility isn't necessarily linked purely to work from home or remote work, but rather also related to conservative solutions in terms of managing working hours, limited opportunities for frequent and quick changes to work schedules without administrative burdens, traditional systems of rewarding employees. A particular problem is created by inflexible legal solutions concerning the submission of labour law documentation, which still implies the physical submitting of documents to employees even in the age of digitalisation. It is essential for digitalisation in business operations to be followed by the modernisation of the base regulation that governs labour relations, in a way that explicitly enables the adoption of all labour legislation acts in the form of an electronic document, alongside the possibility of using an electronic signature, as well as an electronic form of communication between employers and employees. The existing regulation, accompanied by disputable interpretations among the competent bodies, leaves employers in a milieu of uncertainty in which digital transformation cannot be implemented in full.

Improving Procedures Is The Foundation For Further Sector Growth

A new cycle of investments in construction projects for residential and business properties, warehousing and other commercial buildings could be initiated through the further reform of the institute of conversion

A major stride for the construction industry was taken in 2014, with the amending of the Law on Planning and Construction, when a unified procedure was introduced and the process of implementing the instituting of converting the right of use of construction land into ownership rights was continued, and subsequently completed in 2015 with the adoption of a new law [Law on Conversion]. The effects of this legislative activity have been visible throughout all these years, when the real estate market has been very active.

Now, due to geopolitical events that also have ramifications for all market trends, the construction industry faces challenges that could threaten its further growth. It is again necessary, similar to 2014, to provide essential stimuli to avoid this sector's growth being threatened.

A large part of the work has already been completed in the energy domain, through the amending of existing laws and the adopting of a new legislative framework to regulate this area, which places a focus on the construction of facilities and infrastructure required to produce electricity from renewable energy sources.

A new cycle of investments in construction projects for residential and business properties, warehousing and other commercial buildings could be initiated through the further reform of the institute of conversion with an accompanying fee and changing the concept that conversion and the payment of conversion fees represents an obstacle to obtaining a building permit.

Within the committee, we are satisfied with what's been done to date in the area of digitising the cadastral register and introducing e-counters. All cases launched via the



The next vital step in the energy sector is ensuring the most effective application of the new legislative framework and the implementation of the procedures envisaged by these regulations

e-counter are resolved under acceptable deadlines and, in this sense, progress is visible. However, problems that existed prior to the digitisation of the cadastre – in terms of a certain number of unresolved cases for which requests were submitted prior to digitisation – remain current. The further resolving of this

challenge will provide the basis to really see all the effects and benefits of digitisation. Responsibility for all of the aforementioned cannot be transferred solely to the Real Estate Cadastre, but rather requires the participation of all stakeholders in order for us to jointly achieve a systemic solution.

The committee, in communication with the competent bodies, works actively to formulate a proposal on how the instituting of the conversion of the right of use into the right of ownership over construction land for a fee can be amended in such a way that completely abolishes the payment of the fee for converting the right of use and the right of lease into the right of ownership, or, in the case that this is unfeasible, reducing the amount of the fee and simplifying the calculation procedure itself while making it more predictable for investors. Of course, care must be taken regarding individuals and businesses that have previously paid high amounts as conversion fees to ensure that they are adequately compensated accordingly.

In the area of energy, the next vital step is ensuring the most effective application of the new legislative framework and the implementation of the procedures envisaged by these regulations, which naturally demands cooperation and the best possible communication of all energy market participants with the Ministry of Mining and Energy, the Energy Agency, as well as EPS and EMS [state-owned electric utility power and electrical transmission companies].

We will continue our dialogue with the Republic Geodetic Authority, with which we enjoy excellent cooperation, in order for us to jointly overcome the challenges ahead as soon as possible.

Progress In Building The Legislative Framework

Although work is constantly being done in Serbia to harmonise the legislative framework with that of Europe, it is necessary for more uniform practice among the Serbian courts, but also greater efficiency of the judiciary and regulatory bodies that would follow these changes

The previous period has seen legislative progress observed in various areas that are covered by the White Book. First and foremost, the new Law on Consumer Protection has been adopted and has created a significant shift from the perspective of resolving consumer disputes. The new legal solutions introduced a mechanism for out-of-court settlements of consumer disputes that functions adequately in practice, in contrast to previous solutions.

It nonetheless appears as though the greatest progress in the Serbian legislative framework has been achieved in the domain of energy, with the adopting of a set of regulations governing the use of renewable energy sources. The most important and umbrella regulation in this area is the Law on the Use of Renewable Energy Sources. This is the first law that exclusively addresses renewable energy sources and that has established a new incentive system for projects that use renewable sources. The incentive system encompasses a premium on the price of electricity that will be paid to companies that prove victorious in the auctions. It is necessary to bear in mind that actual auctions have yet to be carried out because the relevant statute (to regulate balanced liability) has yet to be adopted. Whatever the case, this Law, and the regulations adopted on the basis of it, represent great success for Serbia in the domain of renewable energy sources and the green agenda.

The adoption of the new Law on the Protection of Trade Secrets also represents a notable advance - this new Law more precisely determines various issues, deals more with protecting trade secrets from the aspect



The Law on the Use of Renewable Energy Sources, and the regulations adopted on the basis of it, represent great success for Serbia in the domain of renewable energy sources and the green agenda

of protecting intellectual property, and represents even greater harmonisation with EU regulations. The new Law on the Capital Market has also been adopted and also

provides for the more detailed regulating of various topics, which represents further harmonisation with EU regulations and should serve to accelerate the development of the capital market in Serbia. It will only begin to be applied in 2023, thus more time is required to determine this Law's true effect.

With regard to the aforementioned harmonisation with EU regulations, it is generally necessary to stress that laws are being constantly passed and amended in Serbia in order for the domestic regulatory framework to be harmonised with the EU regulatory framework and in order to achieve the market economy standards that exist in the EU. However, it is my consideration that there is plenty of room for progress and advancement when it comes to the implementation of (new) legal provisions or the achieving of EU standards, which the FIC Legal Committee will continue to work on. It is primarily necessary for more uniform practice among the Serbian courts, but also greater efficiency of the judiciary and regulatory bodies (in which there should be no neglecting of the work required to improve the relevant bodies, considering the large number of new and specific areas of importance to the business environment). Similarly, more practical options for implementing various legal solutions should be enabled (as would be the case with the introduction of "foreign" electronics signatures that would ease business operations in Serbia significantly). Finally, it is also necessary to adopt new laws in certain areas, as is the case with the protection of competition, for example, or to work on improving existing regulations, as is the case with the Law on Personal Data Protection.

We Must Keep Pace With Upcoming Innovations

The essence of digitalisation in healthcare is in creating possibilities to bring the quality of patient treatment to the fore and enabling doctors to more easily make the most important decisions, which results in the improvement of the healthcare system as a whole

Over the past two years, the work of our committee has been largely dictated by the extraordinary external circumstances, over which we understandably had no influence. When it comes to the COVID period, there's no doubt that the pharmaceutical sector realised its primary social task in full, i.e., it ensured continuous supplies of all medicines to all patients. On one side, COVID patients were among the first in Europe to have almost all the most modern medicines available to them, equal credit for which belongs to the healthcare authorities of the Republic of Serbia. On the other side, all centres that treated non-COVID patients never experienced a single interruption to their activities as a result of the lack of any medication. This goal was achieved through the round-the-clock work of companies' logistics services, and the exchange of experiences we had on the committees in this regard was certainly priceless.

When it comes to introducing new medicines to the group of those financed through compulsory health insurance, our country absolutely resembled the most developed countries during the previous period when it comes to the allocating of funds for that purpose, but also in the negotiation and conclusion procedure for so-called special contracts with which conditions are regulated for the RFZO [National Health Insurance Fund] and companies that hold licenses for medicines to co-finance their use. Furthermore, due among other things to the recommendations of our committee, the RFZO, in cooperation with the Ministry of Health and Ministry of Finance, secured six billion dinars that was then used – in accordance with the decisions



The issue of sustainable financing for existing therapies, alongside the securing of required funding for new ones, will be central in the period ahead for both our committee and our partners on the state side

of the Central Commission for Medicines and on the basis of special contracts concluded and public procurement procedures implemented – for the introduction of new medicines from

a very wide range of therapeutic areas on the RFZO's List of Medicines (diabetes, oncology, cardiology, hepatitis C, psoriasis, haematology, haemophilia etc.). What is now crucial is for this to become an established practise and for the RFZO to keep pace, year after year, with innovations that are coming. Thus, the issue of sustainable financing for existing therapies, alongside the securing of required funding for new ones, will be central in the period ahead for both our committee and our partners on the state side. We emphasise that this goal is achieved not only and not always through the providing of additional funds, but also through the generating of savings within the framework of current allocations.

There is one other significant thing that was unfolding in parallel with the extraordinary/ordinary things I've discussed. And that is the launch of the digital transformation process for the healthcare system. It is important for our committee that digitalisation in healthcare, as one of the most sophisticated areas, is not grasped and reduced to "speeding up the process and reducing the use of paper". Although we don't want to undermine the importance of these factors, the emphasis must be placed on improving possibilities to choose the best therapy for the patient, monitoring the treatment process and outcomes, as well as possibilities to possibly amend therapy, and all on the basis of data previously available or collected through the treatment process. This aspect of digitalisation brings the quality of patient treatment to the fore, enabling doctors to more easily make the most important decisions and thereby improving the essential nature of the healthcare system as a whole.

No Progress Resolving Longstanding Tax Issues

Even though there was an absence of willingness for dialogue on the part of state bodies and the Task Force for the implementation of FIC White Book recommendations wasn't active in the area of taxes, the FIC will continue advocating for the continuation of dialogue and the improvement of tax regulations

The lifting of epidemiological restrictions and restoring of regular business activities and topics in the first few months of this year saw a return to the fore of questions related to improving the tax system and resolving problems arising in practise, which have been outstanding issues for years. However, the Government's focus was on the new model of fiscalization and preparations to introduce the electronic delivery of VAT invoices, i.e., measures intended to strengthen the mechanism for reporting and controlling the fulfilling of tax obligations, with very modest improvements to tax laws and practises. New fiscalization and e-invoices represent a positive development that we expect to contribute to greater fiscal discipline, but also bring a host of new uncertainties and problems that should be solved during their implementation. It appears as though some questions that arise in relation to implementation – such as corrections to the VAT invoice through credit and debit notes, advanced VAT invoices and vouchers etc. – could have been anticipated and solved in a better way.

With regard to the other changes to tax regulations, I would like to mention the amendments to the Personal Income Tax Law, which introduce tax incentives and tax breaks for individuals directly engaged in research and development activities of employers operating in Serbia and for the hiring of certain categories



New fiscalization and e-invoices represent a positive development that we expect to contribute to greater fiscal discipline, but also bring a host of new uncertainties and problems that should be solved during their implementation

ries of individuals. The Corporate Income Tax Law has not been amended, apart

from the introduction of tax reliefs for a specific transaction of contributions in kind of intellectual property, in relation to IP tax incentives that were previously included in the tax law. The Law on VAT had a few minor amendments. Changes to the Law on Property Taxes were also very limited and mainly targeted sales of used motor vehicles, without significance for the majority of taxpayers. A new Free Trade Agreement with the UK came into force, so we've had another year without real progress in relation to a problem the FIC has been pointing out for years.

Unfortunately, there was a lack of willingness for dialogue on the part of the authorities and the Task Force tasked with implementing the recommendations contained in the FIC White Book was not active in the area of taxation. Nevertheless, the FIC will continue fighting for the continuation of the dialogue and the improvement of tax legislation and practise, along with greater transparency and the timely public presenting of planned amendments to tax laws. We will continue to fight for the most important problems from prior periods to be resolved as soon as possible, such as amendments to the Law on Property Taxes, the corporate income tax treatment of property measured at a fair value etc. Concurrently, we continue to advocate for the further modernisation of the Tax Administration and the completion of tax reforms.

Tourism Development Must Be Accelerated

The establishment of the FIC Tourism & Hospitality Committee comes at a critical juncture for rethinking the governance of tourism and elevating tourism's visibility. It is essential to increase the sector's resilience to shocks and raise broader awareness of its importance

The past two years have shown how important tourism is as an economic branch, both globally and in Serbia. COVID-19 brought the world to a standstill, dealing a hard blow to the tourism and hospitality sector. Fortunately, the results from 2022 indicate that the future outlook is positive and that our sector is again showing its resilience and ability to bounce back. While government support has been instrumental throughout the crisis, swift recovery will only be possible if the private and public sectors work together and provide clear and consistent rules. In this sense, raising tourism's visibility beyond the sector is extremely important, helping to position it as an essential pillar of national economic growth and development. The establishment of the FIC Tourism & Hospitality Committee comes at a moment when it is crucial to rethink tourism governance and elevate tourism's visibility. Increasing the sector's resilience to shocks is necessary, as is raising broader awareness of its importance.

On that journey, it is essential to secure more flexibility to accommodate the seasonality needs of the industry; to enhance mechanisms for avoiding the grey economy; to improve cost streamlining in line with the main regional competitors, and to improve the investment environment. Furthermore, the FIC's T&H Committee will be a responsible and reliable partner to the Government



Serbia, especially Belgrade, has become an appealing investment destination, attracting major players in the international hotel industry

and domestic and international institutions and organisations in creating such a business environment that will enable the further competitiveness of Serbian tourism.

What is the current status of investments in tourism? According to the WTTTC, global capital investment in to-

urism & hospitality fell by 30% in 2020. The decline in investments continued in 2021. Fortunately, this drop did not follow a decrease in the number of visitors. Tourism and hospitality investment projects are subject to careful and long planning, because they are huge investments in most cases. The good news about the recovery of tourism in 2022 positively influenced the continuation of capital investments worldwide. The extent to which rising inflation and the energy crisis will impact further investment activity remains to be seen. In the meantime, Serbia should further develop an efficient, transparent and predictable tourism investment framework to improve its competitiveness in the long run.

Serbia, especially Belgrade, has become an appealing investment destination, attracting major players in the international hotel industry. In the last two years, in Belgrade alone, 15 new hotels of different categories and capacities have opened. Some 5-star luxury brands are in the pipeline and planning to build in the coming period. Besides this, several locally-owned hotels are under construction. Although that is very encouraging and promising, the pace must be accelerated. It is essential to improve the regulatory framework and to understand key trends, priorities, and related opportunities to unlock the full growth potential of Serbia's tourism & hospitality sector in the years to come.



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We're Continuing To Grow!

The Foreign Investors Council is one of the "oldest" business associations that focuses exclusively on the continued development of a predictable, competitive and sustainable business environment, alongside the permanent improvement of the climate for doing business and investing. The FIC has spent 20 years promoting Serbia as an excellent place to invest



It was two decades ago, in July 2002, that 14 foreign companies – with the support of the OECD – established the Foreign Investors Council (FIC) with the idea of this association serving to promote the development of a business environment favourable for investments and solid business ethics.

The FIC today has around 120 member companies, with expertise in various sectors and industries, that have invested in excess of 36 billion euros and created 100,000 jobs in the country. Compared to the 150 million euros of investments and 3,160 jobs of all FIC members in 2003, this undoubtedly represents respectable success, but primarily demonstrates that FIC member companies have come to Serbia with long-term interests and a desire to help the Serbian economy achieve economic growth and increase its competitiveness.

The Foreign Investors Council is one of the "oldest" business associations that focuses exclusively on the continued development of a predictable, competitive and sustainable business environment,

alongside the permanent improvement of the climate for doing business and investing. The FIC has spent 20 years promoting Serbia as an excellent place to invest.

PRINCIPLES AND VALUES

The FIC has been guided by a set of principles since its very establishment, the most important of which are independence, or the promotion of the common stances of members as opposed to individual interests, financial independence – given that the association is financed through membership fees, promoting the values and standards of the European Union, advocating for predictability, a level playing field for doing business, transparency and legal certainty, but also equal opportunities for all and promoting healthy business ethics, i.e. sound management practices, both directly, through the operations of the Council, and indirectly, through the operations of member companies.

The strong European context of FIC action is also evident in the fact that it is the only business association in Serbia with permanent, institutional management board members that include the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

Transparency and independence of action, i.e., the representation of the interests of members and the business community as a whole, is recognised as a key value by FIC strategic partner the European Delegation in Serbia and the European Commission in

wider business community in the Republic of Serbia, which has the common and unique goal of making Serbia an even better place to do business and invest to the benefit of all citizens. In other words, the FIC has enabled the voice of the economy to be heard directly, which has had a decisive impact on the FIC and its members being recognised as relevant and reliable partners on the path to improving the Republic of Serbia's business and investment environment.

In this context, the institutional framework of the FIC is of particular importance. That's because the FIC is the only business



Brussels. Specifically, FIC independence and transparency, but also its results achieved to date, impacted on the Council's key project – the White Book, with its recommendations for advancing the business and investment climate in the Republic of Serbia that are written by members themselves – becoming a key factor in the economic aspect of the European Commission's annual report on Serbia's progress towards European integration. The FIC has developed a unique methodology for gauging results and progress achieved in implementing the recommendations contained in each year's edition of the White Book. Namely, the White Book Index compares and ranks progress achieved in all areas included in the focus of the White Book on the basis of the implementation of recommendations from previous years' editions. An additional criterion is the time that has elapsed between the first publishing of a White Book recommendation and its adoption, i.e., how long adoption has taken. The pace of improvement of the business climate is thereby also measured, apart from the implementation criteria, which often has a decisive influence on decisions related to investments in Serbia.

The FIC is simultaneously a place for businesses that have the aim of promoting economic growth to gather. The FIC is also the only business association that brings together bilateral chambers of commerce and can thus be said to represent the interests of the



association in the country that has an institutional framework for cooperation with the Government of the Republic of Serbia, through the Working Group for the Implementation of the Recommendations of the FIC White Book, which is chaired by the Prime Minister.

SUCSESSES AND NEW PLANS

In its activities to date, the FIC has based its recommendations on specific but common proposals of members aimed at identifying the

best and most efficient solutions to overcome tangible open issues encountered in business practice. Since its establishment, the FIC has utilised the expertise of its members to provide an important contribution in almost all areas of relevance to the business and investment environment, the standout areas among which include: regulations related to the liberalisation of the customs law in accordance with WTO rules, the simplification of the registering of new businesses and numerous other improvements to the Law on Companies, as well as ordinances governing foreign trade, real estate, securities, tax regulations (with a special focus on the transparency of procedures) and regulations on inspection oversight.

The main aim of Foreign Investors Council is to contribute to the creation of a predictable, competitive and sustainable business environment through open discourse with state representatives and other partners

FIC members are continuously focused on the improvement of the legislative framework in the fields of construction, telecommunications, food safety, energy and foreign exchange operations, but also the harmonising of Serbia's legislative framework with EU *acquis* in the fields of trade, competition protection, ecology, health and safety at work, the employment of foreigners, bankruptcy and performance, but also the set of regulations that have contributed to combating the grey economy. One of the key roles in the process of overcoming the numerous challenges confronting the Serbian economy and society as a whole, while at the same time striving to achieve much-needed economic growth, is played by the accelerating of the digitalisation of society and the digital transformation of business, which FIC members advocated for during the years

that preceded the Covid-19 pandemic.

Furthermore, we shouldn't overlook the fact that the FIC and its members provided a significant contribution to ensuring the most effective implementation of the package of measures adopted by the Government of Serbia during the pandemic, with the aim of mitigating its negative impact on the Serbian economy. One of the most significant examples is certainly FIC support for the establishment and functioning of so-called green corridors.

The Foreign Investors Council has supported Serbia's transition to a market economy by providing the Government with concrete proposals based on the shared wealth of international experience of its member companies. Judging by feedback received from members and partners, the FIC has been one of the key reference points in the creating of an improved business environment. The Council's own barometer of success – the White Book – indicates the path traversed by the FIC since its establishment by monitoring the development of the Serbian economy: from the initial four recommendations given in 2003 to the 346 recommendations of 2021. Circumstances in the Serbian and world economies have changed significantly over the course of the past 20 years, and the FIC has changed with them, improving its expertise to be able to respond as effectively as possible to the challenges confronting the economy.

Alongside significant financial potential, foreign companies in Serbia, particularly those that have a global presence, also have at their disposal significant human and organisational resources, advanced technological solutions and a corporate culture that they "transfer" to their subsidiaries, insisting on the implementation of that culture with the aim of achieving maximum productivity and operational efficiency. New issues arise in this continuous process, under the scope of the Fourth Industrial Revolution, and new responses and solutions are required if the Serbian economy wants to align with developed market economies in its European





integration process. Moreover, under the scope of the Green Agenda for the Western Balkans – as part of the new development strategy from the European Green Deal – climate change, environmental protection, the circular economy, but also the bolstering of capacities and faster integration of young people into economic flows, represent challenges to which FIC members are ready to respond and provide their expert contributions. As such, both the old and new mission of the FIC is to continue growing and representing a unified voice of investors for the creation of better business and investment conditions, while simultaneously promoting Serbia as an attractive investment destination.

The presenting of the annual White Book has represented the largest economic and political event in the country over the last 20 years, which is attended each year by the highest representatives of the Government of the Republic of Serbia, the business community and society, as well as representatives of the diplomatic corps

The FIC remains consistent in its quest to find new opportunities, but also in actively contributing by making all its capacities available, especially in the area of implementing structural reforms of the Serbian economy, advocating for the corporatisation of public companies, concluding the privatisation process, but first and foremost accelerating Serbia's European integration process. The FIC remains dedicated to its mission, nurturing the values for which it has stood for 20 years, and remains a reliable partner for the growth of companies, but also the state and society as a whole.

The FIC bodies are:

The FIC Assembly, which brings together all members of the association. Assembly sessions, which are convened at least once a year, are utilised to make decisions on issues of strategic importance and to determine the concept of future FIC action.

The FIC Board of Directors, which guides and manages the work of the association, proposing long-term plans and programmes.

Specialised working committees, which represent the core of the association and provide recommendations, based on expertise, for improving the business and investment climate through the permanent improving and innovating of the regulatory framework.

Select FIC projects:

- The annual White Book is the FIC's key product, with which the Council provides recommendations aimed at supporting economic growth and enabling an improved standard of living for Serbian citizens.
- The Dialogue for Change project is a high-level event that can have a larger or smaller scope and is dedicated to specific regulatory areas that are important to the reforming of society as a whole.
- FIC Insight represents a platform for exchanging knowledge and experience via which FIC members share their expert knowhow.

KEY WORDS



MIKE MICHEL, President of the Foreign Investors Council and CEO of Yettel

I CHOOSE TO BE AN OPTIMIST

The country needs strong economic growth through sustainable fiscal consolidation and the continued privatisation and corporatisation of public enterprises and the reform of public administration. This will all have a significant impact on overall macroeconomic indicators. The situation may appear challenging, but I'm an optimist



ZORANA MIHAJLOVIĆ PH.D.

Deputy Prime Minister and Minister of Mining and Energy of the Republic of Serbia

WE'VE OVERCOME EVERY CRISIS THROUGH DEDICATED WORK

When geopolitical conditions shift and the world economy is hit by serious tremors, countries that are much more developed and better regulated than Serbia also find themselves confronted by big problems. While we solve short-term problems, we mustn't lose sight of the deep and lasting changes to the energy sector, and that's energy transition



SINIŠA MALI

Minister of Finance of the Republic of Serbia

I DON'T EXPECT A RECESSION

We mustn't lose what we've already achieved, and that's full employment and economic growth. Even though much of this doesn't depend on us, we can make efforts to absorb the shocks and continue with the reform of public enterprises and fiscal reforms



JORGOVANKA TABAKOVIĆ, Governor of the National Bank of Serbia

SAFE HAVEN FOR THE ECONOMY AND CITIZENRY

I'm extremely proud of the results we've achieved in preserving the exchange rate's relative stability over the course of the last decade. That has provided our citizens and the economy with certitude, easier planning and more certainty in their business operations. The NBS has become a synonym for a safe haven and stability, an institution that carefully analyses and makes advanced preparations for periods of increased uncertainty



TOMISLAV MOMIROVIĆ

Transport and Infrastructure of the Republic of Serbia

OPEN BALKAN IS BOTH OUR CHANCE AND OBLIGATION

When it comes to the Government of Serbia, there is no capitulating on the implementing of infrastructure projects, as they represent the foundation of our economic strength and create opportunities for the arrival of foreign investors



DRAGANA MARKOVIĆ

Director of the Tax Administration of the Republic of Serbia

WE'RE CONTINUING WITH REFORM PROCESSES

In the new reform cycle, our wish is to create a Tax Administration that's integrated into the taxpayers' natural and business environment and for us to become an institution that defines the interests and needs of the business community towards the Ministry of Finance and the Government of the Republic of Serbia

KEY WORDS

**NICOLA PONTARA**

World Bank Group Country Manager for Serbia

NO EASY TASKS DURING TURBULENT TIMES

It would be critical in the days ahead for the new Serbian government to maintain macroeconomic stability – i.e., to curb inflation and keep the fiscal deficit and public debt under control – while improving the management of state-owned enterprises

**ALESSANDRO BRAGONZI**

Head of European Investment Bank (EIB) Regional Representation for the Western Balkans

SUPPORTING A GREEN BALKANS

A new dedicated branch, EIB Global, is helping us foster strong partnerships within the European Commission-led Team Europe structure and increase support for projects in the areas of renewable energy and the green transition. In line with the Green Agenda for the region and “just transition”, the EIB intends to expand its involvement in the energy and environmental sectors

**YULIA USTYUGOVA**

IMF Resident Representative for the Republic of Serbia

MAKING DIFFICULT CHOICES MUST BE A KEY GOVERNMENT TASK

Limited policy space and more difficult access to financing means that policymakers will have to be very selective and targeted in their spending and investment moves. Being more selective will also be essential to ensure that economic imbalances do not disproportionately hurt the most vulnerable segments of the population

**MATTEO COLANGELI**, EBRD Director for the Western Balkans**THE CRISIS WILL TAKE ITS TOLL**

Mounting inflationary pressures are weighing in on the disposable income and input costs of businesses, while financing conditions are tightening as central banks around the world fight inflation. Worsened expectations of global and European growth are set to spill over onto the Serbian economy. Yet we believe that the Serbian economy will continue to grow at the same pace as it did in 2022

**DEJAN TURK**

Vice President of the Foreign Investors Council (CEO of A1 Srbija and A1 Slovenija)

DIGITAL TRANSFORMATION REMAINS OUR PRIORITY

A significant shift in the field of digitalisation has been achieved over the past five years. Yet there is still room for significant improvements, and speeding up digitalisation remains one of the main areas of focus for the FIC

**ANA GOVEDARICA**

FIC Vice President and Spokesperson (Roche General Manager)

WE'RE STRONGER TOGETHER

Foreign investments are an important lever of economic development that gain even greater importance under the conditions of the challenges to foreign policy and health that we face today. Export-oriented partnerships between foreign and local companies contribute to the growth and stability of the economy

KEY WORDS

**ALEKSANDAR LJUBIĆ**

FIC Executive Director

DIGITALISATION IS OUR IMPERATIVE

Companies adjust their operations and business policies in almost real time, and the Foreign Investors Council, as their shared house, endeavours to respond to the new needs that they have as a result of the challenges brought by the new reality at the global level

**DRAGAN PENEZIĆ**

Co-President of the FIC Anti-Illicit Trade & Food Committee (British American Tobacco SEE d.o.o. Beograd)

POSITIVE RESULTS ARE CLEARLY VISIBLE

Despite the negative external factors, it is clearly visible that activities have continued around institutionally improving conditions for doing business in Serbia and advancing the country's system for controlling illicit trade

**DRAGANA STIKIĆ**

Co-President of the FIC Anti-Illicit Trade & Food Committee (Nestlé Adriatic S d.o.o.)

HARMONISING WITH THE EUROPEAN ACQUIS CRUCIAL

The legislative framework in Serbia is being gradually harmonised with that of the EU in terms of food safety and quality, though the dynamics of harmonisation differ due to jurisdictions being divided between two ministries for different categories of food products, creating a partial approach to this issue

**DUŠAN LALIĆ**

Co-President of the FIC Financial Services Committee (Generali Osiguranje Srbija a.d.o.)

WE NEED MORE DIGITAL SOLUTIONS

It is essential for the state and the financial sector to work on creating a higher degree of trust in digitalisation. Alongside this, it is important to work on removing legislative barriers that hamper the issuance of digital insurance policies

**DANILO MRVALJEVIĆ**

Co-President of the FIC Financial Services Committee (Banca Intesa a.d. Belgrade)

STEPS IN THE RIGHT DIRECTION

The National Bank of Serbia and the Government of the Republic of Serbia enabled activities on the capital market to unfold unhindered even under extraordinary circumstances, and we expect a gradual return to focusing on the further development of the market to come with the gradual easing of geopolitical tensions

**DANIEL ŠUŠNJAR**

President of the FIC Telecommunications & Digital Economy Committee (Yettel d.o.o.)

ADMINISTRATIVE BARRIERS ON THE ROAD TO DIGITALISATION

Regulatory framework incompatibility in the area of environmental protection prevents the installing of cellular base stations, thereby jeopardising the expansion of capacities and the technological advancement of mobile networks

KEY WORDS

**MILENA JAKŠIĆ PAPAC**

President of the FIC Human Resources Committee (Karanović & Partners o.a.d.)

REGULATIONS SHOULD TRACK THE CHANGING NATURE OF WORK

We eagerly await amendments to legal regulations that will recognise contemporary forms of labour and introduce greater certainty in the aspect of the rights and obligations of both employers and employees

**MARIO KIJANOVIĆ**

President of the FIC Infrastructure and Real Estate Committee (Bojovic Draskovic Popovic & Partners)

IMPROVING PROCEDURES IS THE FOUNDATION FOR FURTHER SECTOR GROWTH

A new cycle of investments in construction projects for residential and business properties, warehousing and other commercial buildings could be initiated through the further reform of the institute of conversion

**MARKO ČULAFIĆ**

President of the FIC Legal Committee (Karanovic & Partners)

PROGRESS IN BUILDING THE LEGISLATIVE FRAMEWORK

Although work is constantly being done in Serbia to harmonise the legislative framework with that of Europe, it is necessary for more uniform practice among the Serbian courts, but also greater efficiency of the judiciary and regulatory bodies that would follow these changes

**RADOMIR CEROVIĆ**

President of the FIC Pharma Industry Committee (Roche d.o.o.)

WE MUST KEEP PACE WITH UPCOMING INNOVATIONS

The essence of digitalisation in healthcare is in creating possibilities to bring the quality of patient treatment to the fore and enabling doctors to more easily make the most important decisions, which results in the improvement of the healthcare system as a whole

**DRAGAN DRAČA**

President of the FIC Taxation Committee (PricewaterhouseCoopers)

NO PROGRESS RESOLVING LONGSTANDING TAX ISSUES

Even though there was an absence of willingness for dialogue on the part of state bodies and the Task Force for the implementation of FIC White Book recommendations wasn't active in the area of taxes, the FIC will continue advocating for the continuation of dialogue and the improvement of tax regulations

**ZAFIRIS LAMPADARIDIS**

President of the FIC Tourism & Hospitality Committee (Hyatt Regency Belgrade (BMP A.D.))

TOURISM DEVELOPMENT MUST BE ACCELERATED

The establishment of the FIC Tourism & Hospitality Committee comes at a critical juncture for rethinking the governance of tourism and elevating tourism's visibility. It is essential to increase the sector's resilience to shocks and raise broader awareness of its importance



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	LEITNERLEITNER CONSULTING D.O.O. BEOGRAD Kneza Mihaila 1-3, 11000 Belgrade Tel: +381 11 6555 105 E-mail: beograd.office@leitnerleitner.com Web: https://www.leitnerleitner.rs/serbia/sr/about-us Enrolment date: 2020
	LUKOIL SRBIJA A.D. BEOGRAD Bulevar Mihajla Pupina 165d, 11070 Belgrade Tel: +381 11 2220 200 Fax: +381 11 2220 294 Web: www.lukoil.rs Enrolment date: 2009
	MARSH D.O.O. ZA POSREDOVANJE U OSIGURANJU BEOGRAD Omladinskih brigada 90a, 11070 New Belgrade Tel: +381 11 3130409 E-mail: marsh.serbia@marsh.com Web: https://www.marsh.com/rs/en/home.html; http://www.mmc.com/ Enrolment date: 2019
	MERCK D.O.O. Omladinskih brigada 90v, 11070 Belgrade Tel: +381 11 2175 761; Fax: +381 11 2176 781 E-mail: merck@merck.rs Web: www.merck.rs; www.merckgroup.com Enrolment date: 2020
	MESSER TEHNOGAS A.D. Banjički put 62, 11000 Belgrade Tel: +381 11 3537 200; Fax: +381 11 3537 291 E-mail: postoffice@messer.rs Web: www.messer.rs Enrolment date: 2002 Founder
	METROPOL PALACE D.O.O. Bulevar Kralja Aleksandra 69, 11000 Belgrade Tel: +381 11 3333 100 E-mail: reception@metropolpalace.com Web: www.metropolpalace.rs Enrolment date: 2017




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	MIRABANK A.D. Španskih boraca 1, 11070 Belgrade Tel: +381 11 6355 400; Fax: +381 11 6355 404 E-mail: office@mirabankserbia.com Web: www.mirabankserbia.com Enrolment date: 2015
	MOBI BANKA A.D. BEOGRAD Omladinskih brigada 88, 11070 Belgrade Korisnički servis: 063 9005 Tel/Fax: +381 11 4409 670 E-mail: officebanka@mobibanka.rs Web: www.mobibanka.rs Enrolment date: 2015
	MORAVACEM D.O.O. Branka Ristića 8, 35254 Popovac Tel: +381 35 572 200; Fax: +381 35 572 207 E-mail: general-info@moravacem.rs Web: www.moravacem.rs; www.crh.com Enrolment date: 2016 Founder
	MS RAJICEVA D.O.O. (MAMA SHELTER) Kneza Mihaila 54a 11000 Belgrade Tel: +381 11 3333 000 Web: global: www.mamashelter.com Enrolment date: 2022
	NAŠA AIK BANKA A.D. BEOGRAD Bulevar Mihaila Pupina 165g 11070 New Belgrade Contact Center: 19909 E-mail: info@nasaaikbanka.rs Web: www.nasaaikbanka.rs Enrolment date: 2004
	NESTLÉ ADRIATIC S D.O.O. Železnička 131, 11271 Belgrade-Surčin Tel: +381 11 2019 301; Fax: +381 11 3132 022 E-mail: info@rs.nestle.com Web: www.nestle.rs Enrolment date: 2002 Founder
	NIS A.D. NOVI SAD (NAFTNA INDUSTRIJA SRBIJE) Narodnog fronta 12 21000 Novi Sad Tel.: +381 21 4811 111 E-mail: office@nis.rs Web: www.nis.rs Enrolment date: 2011
	NLB KOMERCIJALNA BANKA AD BEOGRAD Svetog Save 14, 11000 Belgrade Tel: 011/3080 100 Fax: 011/3441 335 E-mail: kontakt.centar@nlbkb.rs Web: www.nlbkb.rs Enrolment date: 2022
	NOKIA SOLUTIONS AND NETWORKS SERBIA D.O.O. BEOGRAD Đorđa Stanojevića 14 11070 Belgrade Belgrade Office Park, Building II, Gallery Floor Web: https://www.nokia.com/networks/ Enrolment date: 2009
	OGRANAK SERBIA PRIME SITE ONE AG BEOGRAD Vlajkovića 12, 11000 Belgrade Tel: +381 60 8800 106 Web: local: www.serbiaprimesiteone.com global: www.jangroup.ch Enrolment date: 2022
	OLAF & MCATEER D.O.O. Mišarska 10 11000 Belgrade Tel: +381 11 3342 955 E-mail: office@olafmcateer.rs Web: www.olafmcateer.rs Enrolment date: 2021
	OTP BANKA SRBIJA A.D. NOVI SAD Trg slobode 5, 21000 Novi Sad Tel: +381 21 421 077, 3011 555; Fax: +381 11 3132 885 E-mail: Retail banking stanovnistvo@otpbanka.rs Corporate clients privreda@otpbanka.rs Web: www.otpbanka.rs Enrolment date: 2002 Founder
	OTP LEASING SRBIJA Headquarters: Bulevar Zorana Đinđića 50 a/b Post and work with clients: Bul.Mihajla Pupina 111, 11070 Belgrade Tel: +381 11 2221 369; Fax: +381 11 2221 388 E-mail: otpleasing.srbija@otpsrbija.rs Web: www.otpleasingsrbija.rs Enrolment date: 2011
	PEPSICO Đorđa Stanojevića 14, 11070 Belgrade Tel: +381 11 3637 000; Fax: +381 11 3637 069 E-mail: belgrade.office@pepsico.com Web: www.pepsico.com; www.pepsico.rs; www.facebook.com/PepsiCoZapadniBalkan; Enrolment date: 2009
	PERNOD RICARD SRBIJA D.O.O. Bulevar oslobođenja 211 11000 Belgrade Tel: +381 11 3091 500 Fax: +381 11 3974 380 Web: www.pernod-ricard.com Enrolment date: 2003
	PETRIKIĆ & PARTNERI A.O.D. IN COOPERATION WITH CMS REICH-ROHRWIG HAINZ Krunska 73, 11000 Belgrade Tel: +381 11 3208 900; Fax: +381 11 3208 930 E-mail: belgrade@cms-rrh.com Web: www.cms-rrh.com Enrolment date: 2004
	PHILIP MORRIS SERVICES D.O.O. BEOGRAD Bulevar Zorana Đinđića 64a 11070 Belgrade Tel: +381 11 2010 800 Fax: +381 11 2010 824 Web: www.philipmorrisinternational.com Enrolment date: 2004
	PHOENIX PHARMA D.O.O. BEOGRAD Bore Stankovića 2, 11030 Belgrade Tel: +381 11 3538 100 Fax: +381 11 3538 200 E-mail: office@phoenixpharma.rs Web: www.phoenixpharma.rs Enrolment date: 2016
	PRICEWATERHOUSECOOPERS D.O.O. Airport City Belgrade Omladinskih brigada 88a, 11070 Belgrade Tel: +381 11 3302 100; Fax: +381 11 3302 101 E-mail: rs_pwc_office@pwc.com Web: www.pwc.rs Enrolment date: 2002 Founder
	PRIGAN D.O.O. BEOGRAD Bulevar Vojvode Mišića 15 a 11000 Belgrade Tel: +381 11 369 9802 E-mail: office@soravia.rs Enrolment date: 2022
	PROCREDIT BANK Milutina Milankovića 17 11000 Belgrade Tel: +381 11 2077 906 E-mail: srb.info@procredit-group.com Web: www.procreditbank.rs Enrolment date: 2004


	RAIFFEISEN BANKA A.D. BEOGRAD Đorđa Stanojevića 16 11070 Belgrade Tel: +381 11 3202 100 E-mail: info@raiffeisenbank.rs Web: www.raiffeisenbank.rs Enrolment date: 2002
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	RAIFFEISEN LEASING D.O.O. Đorđa Stanojevića 16, 11070 Belgrade Tel: +381 11 2207 400 Fax: +381 11 2289 007 E-mail: info.leasing@raiffeisen-leasing.rs Web: www.raiffeisen-leasing.rs Enrolment date: 2003
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	RAUCH SERBIA D.O.O. Šesta Lička 2 15220 Koceljeva Tel: +381 15 361 800 E-mail: office.serbia@rauch.cc Web: www.rauch.cc Enrolment date: 2011
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	RIO TINTO RIO SAVA EXPLORATION D.O.O. Milutina Milankovića 1i 11070 Belgrade Tel: +381 11 4041 430 Web: www.riotinto.com; www.riotintoserbia.com Enrolment date: 2004
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	ROCHE D.O.O. Vladimira Popovića 8a, 11070 Belgrade Tel: +381 11 2022 803 Fax: +381 11 2022 808 E-mail: serbia.office@roche.com Web: www.rochesrbija.rs; www.roche.com Enrolment date: 2013
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	SAVA NEZIVOTNO OSIGURANJE A.D.O. BEOGRAD Bulevar vojvode Mišića 51 11000 Belgrade Tel: +381 11 3644 888 E-mail: info@sava-osiguranje.rs Web: www.sava-osiguranje.rs Enrolment date: 2015
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	SGS BEOGRAD D.O.O. Jurija Gagarina 7b, 11070 Belgrade Tel: +381 11 7155 275; +381 11 7155 277 Fax: +381 11 2284 241 E-mail: sgs.beograd@sgs.com Web: www.sgs.rs Enrolment date: 2016
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	SLADARA SOUFFLET SRBIJA D.O.O. Industrijska zona 2 21400 Bačka Palanka Tel: +381 21 752 910 Fax: +381 21 6042 399 Web: www.soufflet.com Enrolment date: 2004
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	STEEL IMPEX LLC Rada Končara 1 21131 Petrovaradin Tel: +381 2182 0691 E-mail: info@steelimpex.rs Web: www.steelimpex.rs Enrolment date: 2022
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	STMG CONSULTANCY D.O.O. BEOGRAD Bulevar Zorana Đinđića 144v, 11070 Belgrade Tel: +381 11 3535 400; Fax: +381 11 3535 401 E-mail: info@stmgconsultancy.com, sasa.trajkovic@stmgconsultancy.com Web: www.stmgconsultancy.com Enrolment date: 2006
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	TELEKOM SRBIJA A.D. BEOGRAD Takovska 2 11000 Belgrade E-mail: fic.telekom@telekom.rs Web: www.telekom.rs Enrolment date: 2007
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	TETRA PAK PRODUCTION D.O.O. BEOGRAD Milutina Milankovića 9ž 11070 Belgrade Tel: +381 11 2017 333; Fax: +381 11 2017 380 Web: www.tetrapak.rs Enrolment date: 2002 Founder
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	THE COCA-COLA COMPANY (BARLAN S&M D.O.O.) Batajnički drum 18, 11080 Belgrade Tel: +381 11 3081 100 Fax: +381 11 3081 166 E-mail: mvukojic@cocacola.com Web: www.thecoca-colacompany.com Enrolment date: 2002
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	THE INTERNATIONAL SCHOOL OF BELGRADE Temišvarska 19, 11000 Belgrade Tel: +381 11 2069 999 Fax: +381 11 2069 944 E-Mail: isb@isb.rs Web: www.isb.rs Enrolment date: 2014
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	TIGAR TYRES D.O.O. PIROT PREDUZEĆE ZA PROIZVODNJU GUMA Nikole Pašića 213, 18300 Piro Tel: +381 10 2157 000 E-mail: office.serbia@michelin.com Web: www.michelin.rs Enrolment date: 2009
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	TITAN CEMENTARA KOSJERIĆ D.O.O. Živojina Mišića 50 31260 Kosjerić Tel: +381 31 590 300 Fax: +381 31 590 398 Web: www.titan.rs Enrolment date: 2004
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	TOYO TIRE SERBIA D.O.O. INDIJA Industrijska 3 no. 5, 22320 Indija 11070 Belgrade Tel: +381 66 8087 898 E-mail: nevena.lestarc@toyotires.rs Web: https://www.toyotires-global.com/ Enrolment date: 2021
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	UNICREDIT BANK SRBIJA JSC Rajičeva 27-29, 11000 Belgrade Jurija Gagarina 12, Belgrade BC, 11070 Belgrade Tel: +381 11 3777 888 E-mail: kontakt@unicreditbank.rs Web: www.unicreditbank.rs Enrolment date: 2013 Founder
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	UNIFIEDPOST SOLUTIONS D.O.O. Tošin bunar 185 11070 Belgrade Tel: +381 11 7150 748 E-mail: office.rs@unifiedpost.com Web: www.unifiedpost.rs Enrolment date: 2019
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	UNIQA NEŽIVOTNO OSIGURANJE A.D.O. Milutina Milankovića 134G 11070 New Belgrade Tel: +381 11 2024 100 E-mail: info@uniqua.rs Web: www.uniqua.rs Enrolment date: 2006
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	WEST PHARMACEUTICAL SERVICES BEOGRAD D.O.O. Crvenka 76 26220 Kovin Tel: +381 13 2156 101 E-mail: kovin.office@westpharma.com Web: www.westpharma.com Enrolment date: 2020
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	WIENER STÄDTISCHE OSIGURANJE A.D.O. BEOGRAD Trešnjiog cveta 1, 11070 Belgrade Tel: +381 11 2209 800 Fax: +381 11 2209 900 E-mail: office@wiener.co.rs Web: www.wiener.co.rs Enrolment date: 2003
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	YETTEL D.O.O. Omladinskih brigada 90 11073 Belgrade Mob: +381 63 9000 Web: www.yettel.rs Enrolment date: 2006
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	ZIVKOVIC SAMARDZIC A.O.D. BEOGRAD Makedonska 30, 11000 Belgrade Tel: +381 11 2636 636 Fax: +381 11 2635 555 E-mail: office@zslaw.rs Web: www.zslaw.rs Enrolment date: 2011
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