

PILLARS OF DEVELOPMENT

This year, we decided to make a change in this part of the White Book. Namely, in the previous editions, in the section on the pillars of development, the same sectors were practically analyzed from year to year, and as a rule, they included: energy, telecommunications, digitalization and e-commerce, real estate and construction, labour and human capital.

In this year's edition of the White Book, we made a change in the sense that in the part of the sectoral analyses in the Pillars of Development, we presented the results of those sectors that made the most progress in the previous year. This year's topics are: energy, digitalization, protection of financial services users, public procurement and capital markets.

ENERGY

The energy sector, which includes the production and transmission of electricity, the market for renewables and energy efficiency, has been exposed to numerous challenges in recent years. Two years ago, this was related to possible risks in the part of the electricity supply, but in the end it was successfully overcome. With the global energy crisis, problems have opened up in the supply of other energy sources.

Insufficient supply of energy products and uncertainty in their supply led to a strong shock on the supply side, causing shortages. This supply shock, along with jeopardizing and in some places tearing up supply chains, translated into cost inflation and price growth.

The government introduced price controls because the liberalization of the electricity market could have led to a significant increase in costs for households and businesses. At the same time, the management structure of EPS has been changed, its business policy has been changed and the main causes of its poor performance have been eliminated. The electricity supply has been improved and stabilized. The transformation of EPS from a public company into a joint-stock company has begun. A new Supervisory Board has been appointed, which has taken important steps towards the professionalization of EPS management.

In 2023, Serbia supplemented the regulatory framework in line with the EU's Third Energy Package and de jure liberalized the electricity market. In this regard, the policy of full implementation of the relevant EU regulations has been continued.

Despite liberalization, EPS remains the most dominant supplier with about 97% share in the open market.

Coal remains the dominant source for electricity generation – more than 70% of annual production comes from coal-fired power plants. The coal mines are in relatively poor condition. Some of the world's largest coal-fired power plants will have to be overhauled or they will face a gradual shutdown. Currently, there is an increased import of coal in order to maintain production in thermal power plants. The transition to a "green" economy has been postponed for some time in the future.

In the case of renewable energy sources, a system of incentive measures for the production of electricity from these sources is crucial. Incentives are provided in the form of a market premium system and feed-in tariffs. Both systems will be implemented through an auction and relate to the price of electricity, the assumption of balancing responsibility and the right to priority access to the network. By abandoning the incentive system in order and introducing auctions, the opportunity for a new cycle of investments and achieving a competitive price for the purchase of electricity opens up.

In the field of energy efficiency, the Directorate for Financing and Promotion of Energy Efficiency has begun its work. In the energy efficiency market, the implementation of energy performance contracting (EnPC) projects for public lighting has begun in a significant number of local self-governments. Energy Supply Contracting (ESC) has also begun to function, primarily in the public sector, where schools and hospitals are priorities.

In this area, the Foreign Investors Council has made eight recommendations for improving the business climate. Five have made significant progress and three have made some progress. That is why energy is at the top of the list of sectors in which the most progress has been made. The Foreign Investors Council gave the 2024 index a high rating of 2.63, above the 2023 level of 2.30.

DIGITALIZATION AND E-BUSINESS

The digitalization and e-business sector, which includes e-commerce, electronic identification, issuance of electronic documents, as well as e-business of governing bodies, including the interconnection of public databases, achieved the second most dynamic improvement in the business climate.

