

9TH LAP TIME CONFERENCE



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**9TH LAP
TIME
CONFERENCE**



STRENGTH OF AMCHAM COMMUNITY



210
U.S., INTERNATIONAL AND
LOCAL MEMBER COMPANIES



99.000
DIRECTLY EMPLOYED
CITIZENS OF SERBIA



12,1
BILLION EUROS
TOTAL ANNUAL REVENUES



14
BILLION EUROS
TOTAL INVESTMENTS

*According to the official data provided by
the Serbian Business Registers Agency

I THIS YEAR'S SURVEY IN BRIEF

AmCham's business climate and investor confidence survey examines how AmCham members and non-member micro and small-sized enterprises (MSEs) perceive the business environment in Serbia and their performance in 2021 and plans for the coming year. The survey has been performed annually since 2013, with a hiatus only in 2015.

IMPACT OF COVID-19 ON BUSINESS

The pandemic had a significantly lower impact on AmCham members in 2021 than it did in 2020: one-quarter of all members were expecting to see their performance suffer a hit, in contrast to two-thirds that shared this view in 2020. **One-half of all members recorded growth** this year. As in 2020, the impact of Covid-19 was felt the most keenly in the form of declining profits and revenues, with employment and investments seeing a less pronounced impact. In marked contrast, the non-member MSEs reported a fall in revenues and profits, with employment suffering less commonly.

Most AmCham members (63 percent) did not use government relief measures during the pandemic. The members who did so were mainly small and medium-sized firms. Conversely, most MSEs (69 percent) did take advantage of government support. According to the businesses, for the duration of the pandemic the Government should prioritise co-operation between the national health service and private healthcare providers and introduce a vaccine mandate for the working-age population.

INVESTOR SATISFACTION AND CONFIDENCE

More than two-thirds of AmCham members (69%) described the business climate as 'moderately satisfactory' (with an average score of 2.8 on a scale from 1 to 5), the same as in past years. The MSEs were slightly more critical of the business environment, awarding it the average score of 2.7, again 'moderately satisfactory'.

Companies reported no major expectations for improvements to the business climate in the next year, but were more optimistic than in 2020 (AmCham members scored their expectations for enhancement of the business environment in the coming 12 months with 3.3 on average, whereas the MSEs awarded the score of 3.2 on the same scale).

Plans for growth were more positive than in 2020. Seven of ten AmCham members (70 percent) expected to see more business and growth, while over one-half (56 percent) were planning to take on more workers. This was an improvement of 14 percentage points compared to last year's expectation and a return to 2018 and 2019 plans, but still below expectations businesses had held for 2020.

BUSINESS ENVIRONMENT AND REFORMS DESIGNED TO PROMOTE INVESTMENT

Serbia vs its neighbours: As an investment destination, Serbia was generally ranked better than Montenegro, North Macedonia, and Bosnia-Herzegovina, but fared more poorly than its EU neighbours.

Reforms to promote business growth: As in the previous two annual surveys, AmCham members prioritised institutional reforms: judicial efficiency and the rule of law, and anti-corruption efforts.

The third priority was continued development of e-government and a more efficient public administration. Compared to two years ago, a transparent and more efficient public procurement system was seen as more of a pressing issue. The non-member MSEs shared many of these priorities, but also felt tackling the shadow economy and unfair competition were also indispensable. The MSEs also tended to prioritise flexibility of labour regulations to a greater extent than AmCham members.

II METHODOLOGY AND DEMOGRAPHICS

Fieldwork was conducted by AmCham, with the assistance of Ipsos Strategic Marketing, from August to October 2021. AmCham member companies were surveyed using an online questionnaire. Qualitative interviews were also organised with the firms' top managers, either face to face or using videoconferencing apps, in which the executives were asked to comment on the findings of the survey.

Since AmCham members are predominantly large and medium-sized companies, as in previous years the survey included a sample of non-member firms, mainly MSEs. The idea behind capturing and comparing the views of large investors and small businesses side by side was to gain a better understanding of the state of Serbia's economy as a whole and the steps needed to accelerate growth.

Top managers of the MSEs were interviewed either face to face or by telephone. The sample was constructed using the universe of all companies registered with the Business Registers Agency (as of 2019).

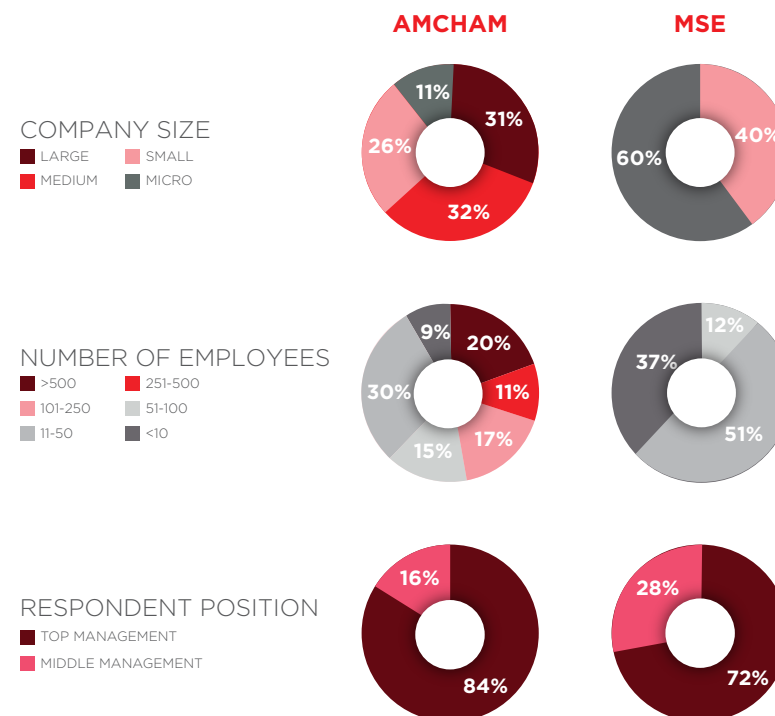
The survey instrument was a questionnaire designed to reflect the experiences of past research cycles.

STRUCTURE OF THE SAMPLE

The **AmCham sample** was made up of 154 AmCham members, of which 31 percent were large, 32 percent medium-sized, and 26 percent small firms; a final 11 percent were micro-enterprises. Companies with more than 500 staff accounted for one-fifth, or 20 percent, of the sample, with firms of between 100 and 500 employees making up another 28 percent, and the remaining half (53 percent) comprising companies employing 100 or fewer people. As many as 73 percent of the AmCham members surveyed did not employ a single worker at the Serbian statutory minimum wage. In addition, 63 percent of the firms did not benefit from government relief measures, introduced in 2020 and continuing into 2021, designed to address the economic impact of the Covid-19 pandemic. The surveyed firms came from a wide variety of industries: from professional services (including consultancy) to information and communication technology (ICT), healthcare and pharmaceuticals, manufacturing (heavy and light industry), to financial services.

The **qualitative survey** involved face-to-face interviews with 60 selected AmCham member companies, which consisted of commenting on the findings of the quantitative survey and elaborating on the key challenges for doing business. The qualitative sample covered the same sectors as the quantitative one, and nearly all respondents in this group were company CEOs.

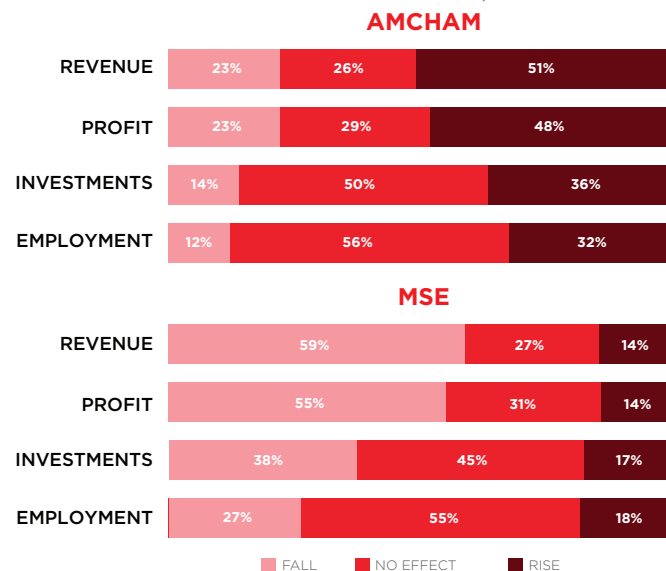
The **MSE sample** comprised 155 firms, of which 60 percent were micro-enterprises and 40 percent were small businesses. No more than 12 percent of the companies employed over 50 staff; 51 percent had between 11 and 50 workers; and a final 37 percent employed fewer than 10 people. Some two-thirds of the MSEs had opted to access the Government's Covid-19 relief measures. These firms also operated in a wide variety of industries, but most were either retailers or wholesalers or came from the light industry sector.



III IMPACT OF COVID-19 ON PERFORMANCE

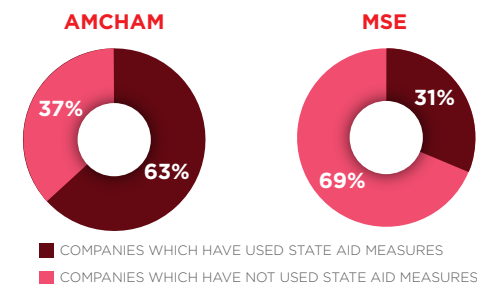
The Covid-19 pandemic has remained a pressing issue in 2021 and has primarily resulted in both AmCham members and the non-member MSEs reporting lower revenues and profits. One-half of all AmCham members grew in 2021 (51 percent saw increased revenues, while 48 recorded greater profits), whilst one in four claimed their revenues or profits had declined (23 percent each). By contrast, over one-half of the MSEs reported either lower revenues (59 percent) or profits (55 percent). Most respondents both AmCham members and MSEs, did not believe Covid-19 had affected investment (50 percent of AmCham members shared this view, as did 45 percent of MSEs) and employment (56 percent of AmCham members and 55 percent of MSEs).

IMPACT OF COVID-19 ON PERFORMANCE, 2021 VS 2020



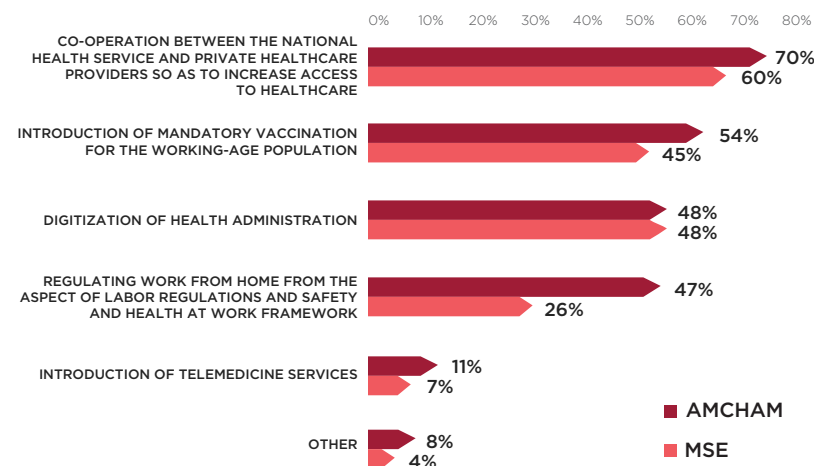
Even though they generally felt the fiscal and monetary relief measures extended to businesses in 2020 came at the right time, **most AmCham members (63 percent) chose not to use those benefits. Most of those who did opt to receive assistance were small and medium-sized enterprises.** By contrast, more than two-thirds of the MSEs surveyed did make use of the relief measures.

USE OF GOVERNMENT COVID RELIEF MEASURES



According to the respondents, in order to help businesses operate safely during the pandemic, the Government should first and foremost promote co-operation between the national health service and private healthcare providers so as to increase access to healthcare (as reported by 70 percent of AmCham members and 60 percent of MSEs). Ranked second was a vaccine mandate for the working-age population (54 percent of AmCham members and 45 percent of MSEs). Closer regulation of remote working was a point of division between the two groups: whilst one-half (47 percent) of AmCham members believed the Government ought to take steps in this direction, no more than one-quarter (26 percent) of the MSEs shared this view.

AMCHAM AND MSE: PRIORITY POLICIES TO PROMOTE SAFETY AND FACILITATE OPERATION DURING THE PANDEMIC



INTERVIEW HIGHLIGHTS

The respondents were highly satisfied with how the Government reacted in providing vaccines to the population and the immunisation effort in general, given the complex logistics involved in storing and transporting the various types of vaccines and ensuring they were optimally distributed to vaccination centres across the country.

Large AmCham members were particularly keen on seeing improvements to co-ordination between the national health service and private healthcare providers, as these firms offered their staff private health insurance as an additional benefit in addition to national health insurance funded from mandatory contributions.

The introduction of digital green certificates recognised by EU countries was seen as a very welcome development. By contrast, the businesses felt it was paradoxical that the Covid passports did not reflect the results of either PCR tests or, at the moment of writing, antigen testing done by private laboratories, all the more so as the government had allowed private-sector labs to provide testing services during the pandemic and also given that private lab tests are valid in the EU.

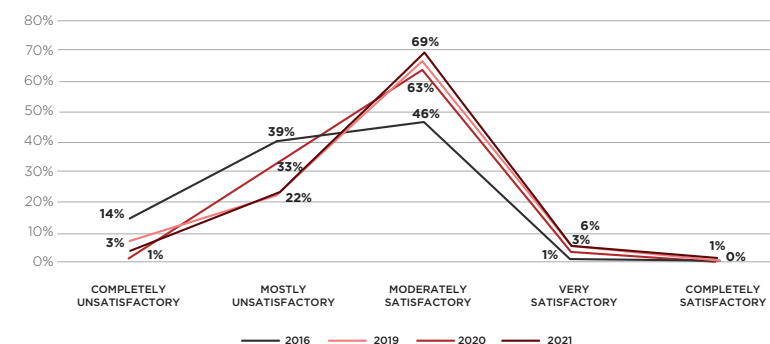
More than one-half of all AmCham members reported that the most effective option for safeguarding overall health and promoting safety in the workplace was to introduce a statutory vaccine mandate in particular sectors or industries, as has already been done by many European countries. The companies were cautious, however, in responding to calls from the Ministry of Health for businesses to require Covid passes in the workplace and believed this could only be done once the government has laid down clear legal rules. Only an appropriate non-discriminatory framework, with clearly prescribed standards and exemptions, would reduce the threat of lawsuits over alleged discrimination and breach of personal data privacy.

IV SATISFACTION WITH THE BUSINESS ENVIRONMENT AND EXPECTATIONS OF FUTURE

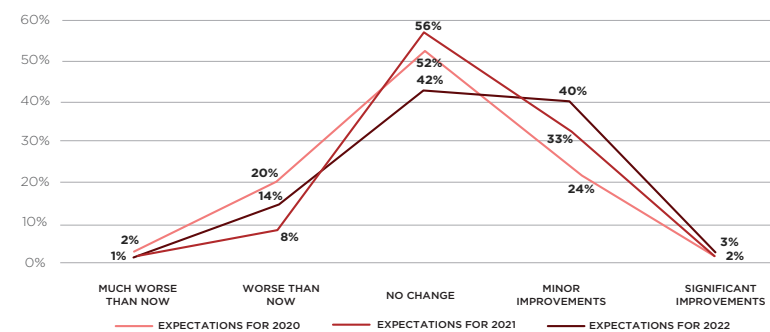
The respondents once again reported moderate satisfaction with the business environment, but a slight improvement was registered relative to one year previously. More than two-thirds of those polled (69 percent) awarded the business climate the average score of 3 out of 5 (the overall average score stood at 2.8, in contrast to the historic low of 2.3 seen in 2016). One in four companies (25 percent) were dissatisfied with the business environment, whilst only 7 percent expressed satisfaction.

Expectations for improvements to the business environment in the coming year were not high. Still, when compared to those of the previous year, enthusiasm is seen to have gone up somewhat, with a 7 percentage point increase on 2020 in the number of firms forecasting positive developments.

AMCHAM: SCORES FOR QUALITY OF BUSINESS ENVIRONMENT IN SERBIA

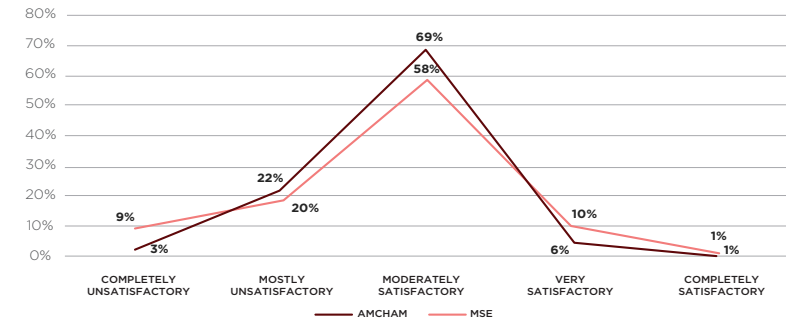


AMCHAM: BUSINESS ENVIRONMENT IN THE COMING YEAR - EXPECTATIONS



Once again, the MSEs were somewhat more critical in their assessment of the business environment, awarding it the average score of 2.7. Nine percent of those polled felt the business climate was 'completely unsatisfactory' and 20 percent considered it 'mostly unsatisfactory'. As with AmCham members, the largest proportion of these firms (58 percent) believed the business environment was 'moderately satisfactory'. Lastly, 11 percent of the companies claimed the environment for doing business was 'satisfactory'.

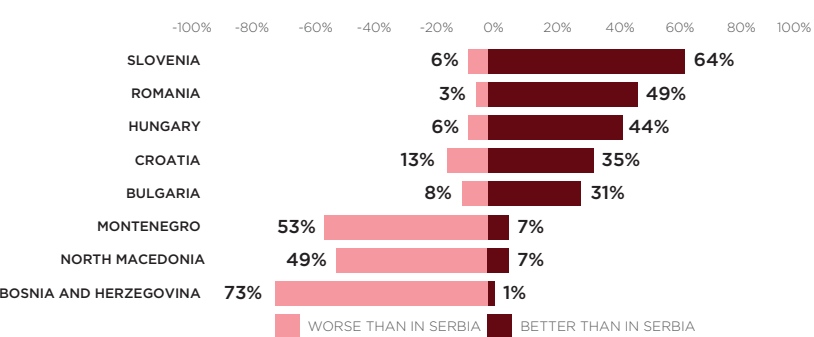
AMCHAM AND MSE: SCORES FOR QUALITY OF BUSINESS ENVIRONMENT IN SERBIA



SERBIA AS AN INVESTMENT DESTINATION AND ITS NEIGHBOURS

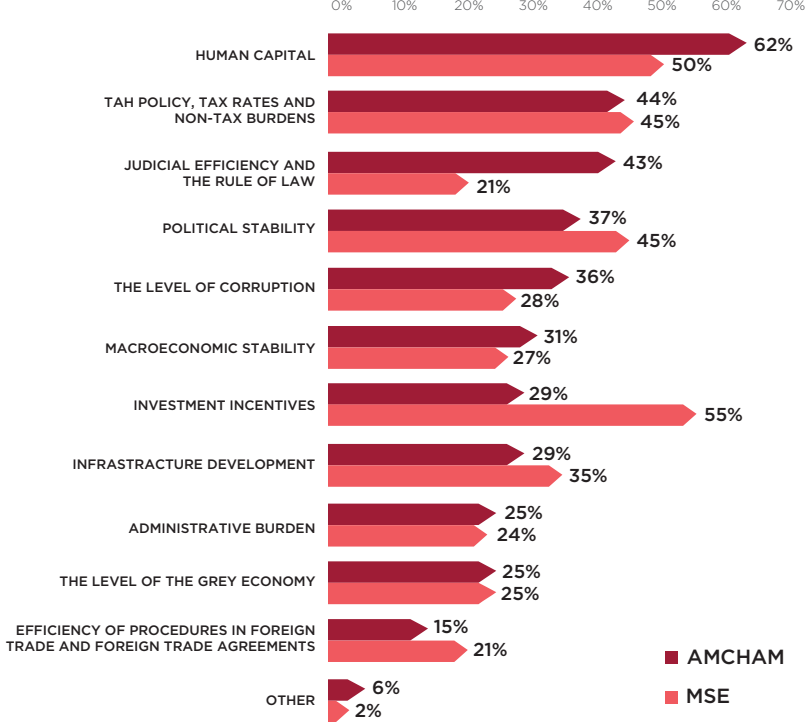
When asked to compare Serbia's business environment with those of its neighbouring countries, AmCham members reported that Bosnia and Herzegovina, North Macedonia, and Montenegro fared much worse than Serbia. That being said, all of these three countries registered a slight improvement in perceptions relative to last year's survey. By contrast, Bulgaria and Croatia were seen as somewhat better for business than Serbia, and Romania, Hungary, and Slovenia as much better. AmCham members seem to have retained unchanged perceptions over the past five years, even though 2021, has seen a slight narrowing of the gap separating Serbia and both lower- and higher-ranked regional economies widened.

AMCHAM: SERBIA AS AN INVESTMENT DESTINATION COMPARED TO THE REGION



According to AmCham members, the key issues considered by any foreign investor when choosing destinations for their investments are human capital, judicial efficiency and rule of law, tax policy, and political stability. By contrast, the MSEs felt the primary considerations were investment subsidies, human capital, political stability, and tax policy.

AMCHAM AND MSE: PRIORITY FACTORS INFLUENCING FOREIGN DIRECT INVESTMENTS

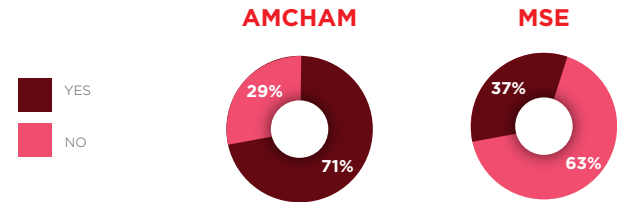


Perceptions of investment subsidies proved to be the primary cause of differences between AmCham members (which are mostly foreign investors themselves) and the MSE sample. Whilst the non-members believed foreign investors mainly considered incentives when choosing where to invest (as reported by 55 percent), for the AmCham companies this reason was ranked as low as eighth from the top, or third from the bottom, on the list of priorities (and 29 percent of this sample saw it as a major consideration).

VI FORECASTS FOR GROWTH

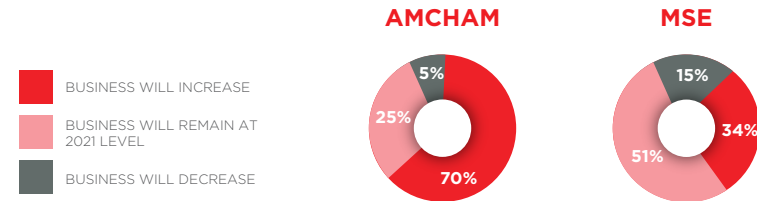
Over two-thirds of AmCham members (71 percent) were planning additional investment in the coming year, highlighting their long-term commitment and expectations for quick post-pandemic recovery. The MSEs were much less prepared to take on new investment, with only 37 percent of this group prepared to put more money into their businesses and 63 percent reporting no such plans. This finding is consistent with these companies’ performance throughout this year and reveals the pandemic has exhausted MSEs’ finances to a much greater extent.

ADDITIONAL INVESTMENTS IN THE COMING YEAR

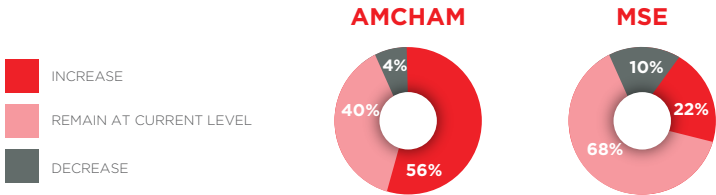


Tellingly, AmCham members shared more positive forecasts for growth in the coming year. In this research cycle, over two-thirds of AmCham companies (70 percent) reported expecting expansion and growth, whilst more than one-half (56 percent) were planning to take on more staff. By contrast, only slightly more than one-third of the MSEs (37 percent) were preparing for new investment and no more than one-fifth (22 percent) were planning additional hiring. The differences between the two samples clearly show that large and small companies have been coping with the burden of the crisis in different ways and are facing unequal recovery times.

BUSINESS EXPECTATIONS OF THE COMING YEAR

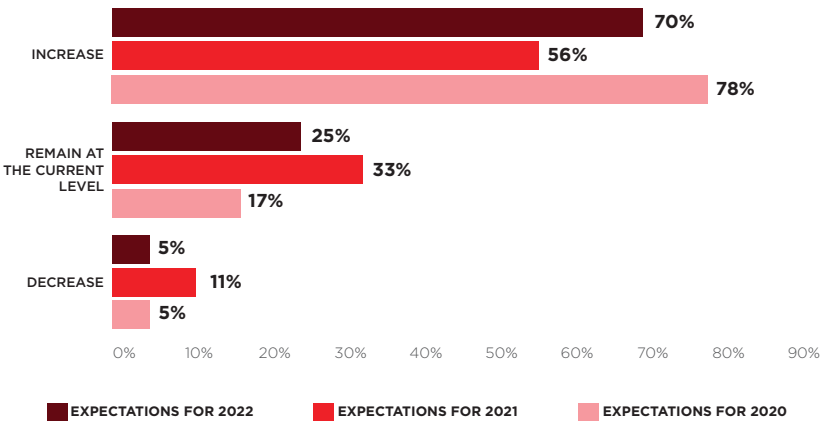


PLANNED WORKFORCE CHANGES



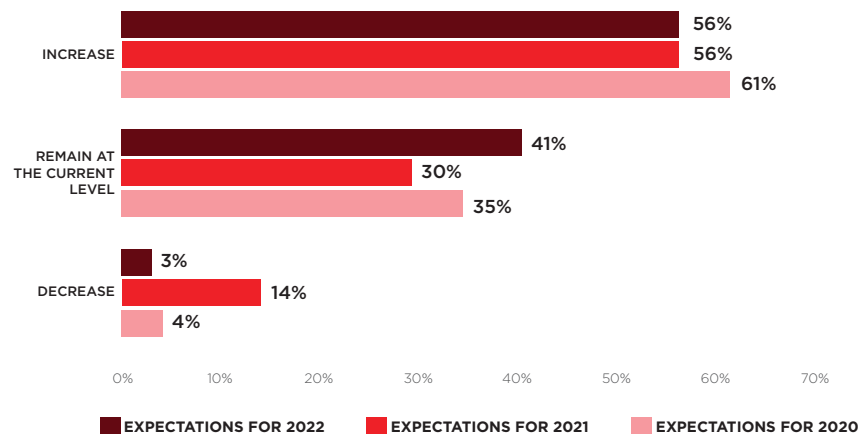
When compared with last year’s expectations, the AmCham sample has been showing improvements, with a 14 percentage point increase in members’ expectations of growth. However, pre-pandemic enthusiasm is yet to return (anticipated growth is down 8 percentage points on 2020), but, in a favourable development, the same proportion of members (5 percent) were projecting a contraction as in 2019, when record high growth had been expected for 2020.

AMCHAM: BUSINESS EXPECTATIONS OF THE COMING YEAR



The AmCham sample was much more optimistic than the MSEs when it came to future workforce trends, but the members were also obviously cautious due to the pandemic: even though more than one-half (56 percent) of these firms were planning to take on more staff, this figure was still lower than the 61 percent seen before coronavirus appeared. By contrast, no more than 3 percent were preparing to lay workers off, fewer than before Covid-19.

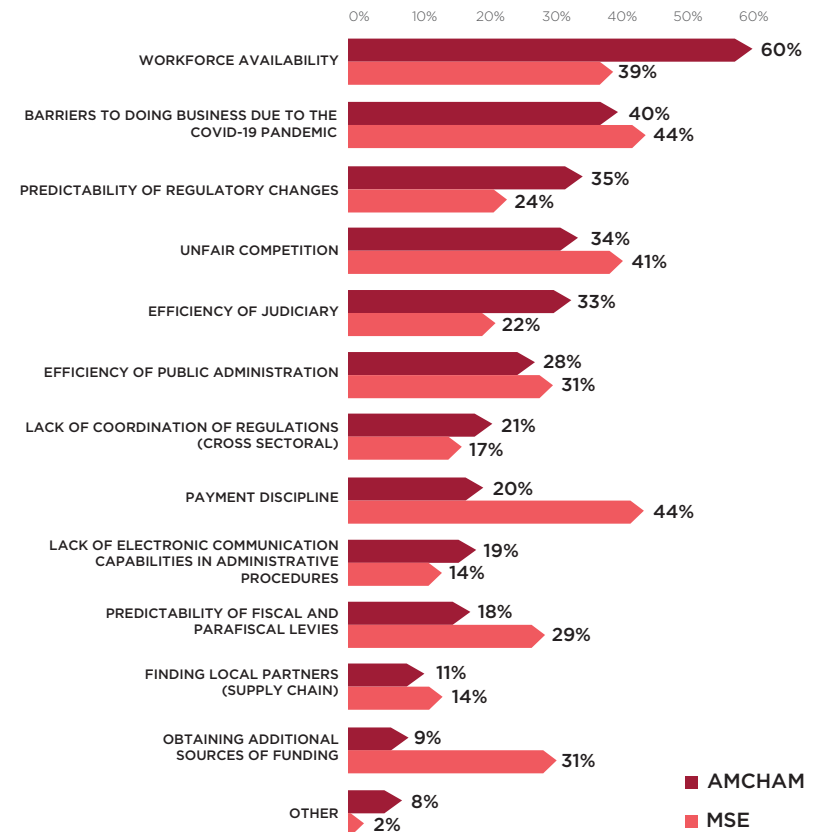
AMCHAM: EXPECTED WORKFORCE CHANGES IN THE COMING YEAR



VII CHALLENGES IN THE COMING YEAR

Most AmCham members (60 percent) believed workforce availability would become the key challenge in 2022, especially given that most (56 percent) were planning to take on additional staff. Ranked second were difficulties due to the Covid-19 pandemic (at 40 percent) and unpredictable regulatory changes. Conversely, the non-member firms surveyed saw payments discipline, issues caused by the pandemic, and unfair competition as the salient problems in doing business. The primary differences between the AmCham and MSE samples were found for payments discipline (24 percent), access to finance (22 percent), and ability to recruit staff (21 percent). Whereas the MSEs cited the former two issues much more commonly, difficulties in hiring talent were much more prevalent amongst the larger member companies.

AMCHAM AND MSE: KEY CHALLENGES FACING COMPANIES



INTERVIEW HIGHLIGHTS

Nearly all industries are facing issues with recruiting appropriate workers at all skill levels. The pandemic has only widened this long-standing gap, whose causes include emigration, making it almost impossible to find some staff profiles. Hospitality workers are one example, retraining in large numbers for other lines of work that offer greater job security. Global competitors have also stepped in to take advantage of workers who have learned during the Covid-19 outbreak that their jobs can be done online. Wages have been increasing in this employee's job market. Opening up the country to foreign workers will only partially solve the problem. A much greater challenge is how to create an economy and society that will halt outward migrations and induce first and foremost young and promising people to return.

In this latest research cycle, AmCham members have recognised workforce availability as a major constraint, with a not insignificant increase in the perceived importance of this factor relative to before the pandemic (up from 52 percent in 2019 and 42 percent in 2018). By contrast, operating difficulties caused by the pandemic were seen as much less significant than in 2020, revealing firms seem to have become habituated to and more confident in doing business in altered circumstances, even though the coronavirus outbreak has remained the second most important concern for AmCham members. Efficiency of government, predictability of regulatory changes, and unfair competition were all seen as less important than before the pandemic.

INTERVIEW HIGHLIGHTS

The qualitative interviews also revealed two key areas of concern for next year stemming from global rather than local factors: energy prices and inflation.

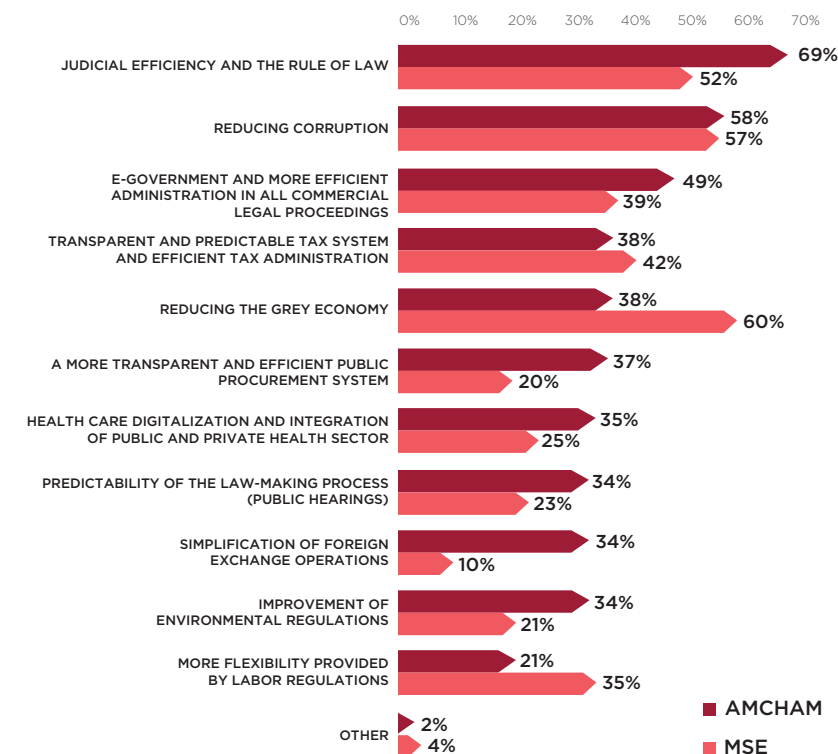
The huge increase in businesses' electricity prices seen in 2021 and the likelihood of these costs continuing to rise in Q1 2022 were identified as major challenges by manufacturers. The firms were caught unawares by the price hike in 2021, suggesting they had been accustomed to affordable electricity and poorly prepared to deal with the market trends that drive the cost of energy. Electricity consumers will benefit from this year's amendments to the legislative framework for energy – which now includes the concept of 'prosumers' or 'self-consumers', who generate their own electricity and feed it into the grid as well as purchasing it from power utilities – and monitoring its implementation will prove important.

Rising inflation is another major challenge at both the regional and the global level. Its main drivers are value chain bottlenecks, increasing costs of finding alternative suppliers, and shortages of some raw materials, which has combined with growing energy prices to make production more expensive. Moreover, increasing demand has driven up the costs of a number of services that had been less sought after during the peaks of the pandemic.

VIII REFORMS FOR NEW INVESTMENT AND GROWTH

As in the previous two years, AmCham members prioritised institutional reforms: judicial efficiency and the rule of law, and anti-corruption efforts. The third priority was continued development of e-government and a more efficient public administration.

AMCHAM AND MSE: REFORMS FOR LONG-TERM GROWTH



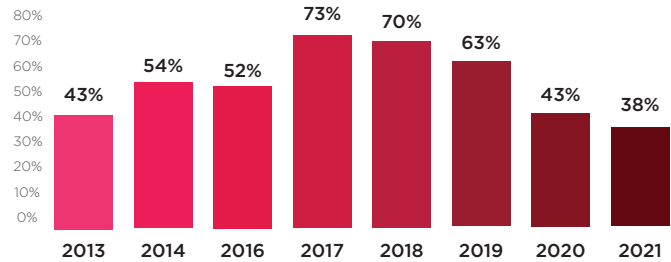
INTERVIEW HIGHLIGHTS

Companies illustrate their issues with the rule of law – a continued focus of demands for reform – by citing cases where regulations say one thing but practice proves otherwise, a situation that has long seemed to be the rule rather than an exception.

For instance, even though the Law on Medicines and Medical Devices sets out clear maximum timeframes for the authorities to issue and extend marketing authorisations for medications and approve variations to medications and promotional materials, the Medicines and Medical Devices Agency commonly breached these deadlines, in some cases by a matter of years. One particularly egregious example was a variation application made as far back as 2015, and, even though the statutory deadline for processing was 90 days, it was still outstanding after a period 24 times as long.

A more transparent and efficient public procurement system was seen as more of a priority than in the two previous surveys. Improvements were in evidence, though, with the perceived transparency of the tax system and efficiency of the tax administration, efforts to tackle the shadow economy, and predictability of the legislative process.

AMCHAM: PREDICTABILITY OF THE TAX SYSTEM AS A PRIORITY REFORM

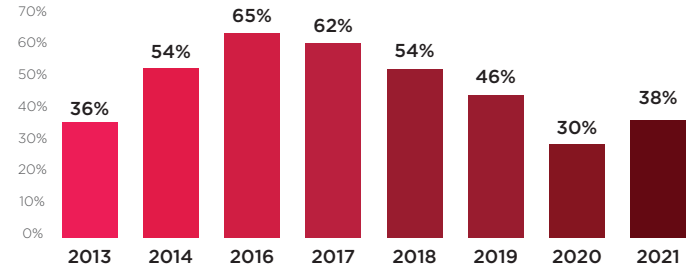


INTERVIEW HIGHLIGHTS

The respondents recognised major progress had been made since 2017 in reforming the tax system and the Tax Administration. This was primarily driven by the introduction of electronic tax returns, acceleration of VAT processing, adoption of the single VAT Regulation that consolidated multiple previous byelaws and opinions of the Ministry of Finance into one and so made it easier for taxpayers to navigate these complex issues, and the absence of broad-based changes to tax rules in this period.

By contrast, AmCham members continued to protest the absence of transparency and timely public consultation ahead of changes to tax regulations that could permit the community of experts to meaningfully contribute to key tax policymaking.

AMCHAM: ADDRESSING THE GREY ECONOMY AS A PRIORITY REFORM

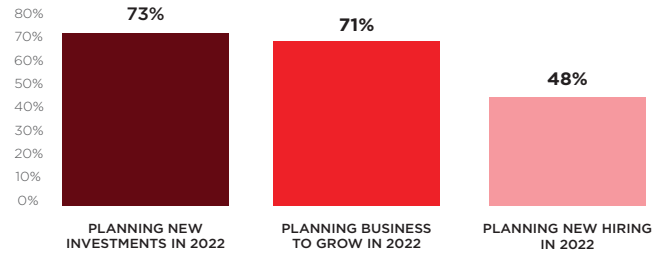


INTERVIEW HIGHLIGHTS

The grey economy is yet another area in which tangible progress has been made in recent years, as evidenced by official data released by inspection services. The companies praised surveillance mechanisms put into place by the Inspection Oversight Law for this result, coupled with the central role of the Co-ordinating Commission for Inspection Oversight and the use of standardised process charts in tackling illicit trade in a variety of sectors. By contrast, with online sales skyrocketing due to the pandemic, the respondents observed illicit trade on the internet had been gaining in importance, necessitating additional capacity-building for the inspections.

Comparing the findings for AmCham members and MSEs revealed substantial agreement between the two groups over the top two reform priorities, namely improving judicial efficiency and tackling corruption. The MSE sample, however, tended to prioritise addressing the shadow economy and making labour regulations more flexible. By contrast, AmCham member companies placed greater emphasis on e-government and efficient public administration, more transparent and effective public procurement, simpler foreign exchange operations, and improved environmental regulations.

AMCHAM: FOREIGN EXCHANGE OPERATIONS AS A PRIORITY REFORM



INTERVIEW HIGHLIGHTS

Foreign exchange rules have remained a significant administrative burden on foreign payment transactions due to mandatory prior examination of the underlying documents. Nevertheless, the companies focused their objections on obstacles to investment and growth, regardless of whether the investments came from loans extended by parent companies abroad and other foreign sources of finance (a frequent occurrence for multinational firms) or guarantees were employed to help expand operations from Serbia into the region (a mechanism that Serbian companies tended to use more often). These considerations led 70 percent of companies planning to invest and grow in the coming year to view the Foreign Exchange Operations Law as an obstacle to streamlining administration, optimising operations, and embracing digital technologies.

IX ROLE OF GOVERNMENT IN PROMOTING GROWTH

Year after year, both AmCham members and other firms surveyed have given education pride of place when it comes to allocation of budget resources for growth (as reported by 29 percent of AmCham members and 18 percent of MSEs).

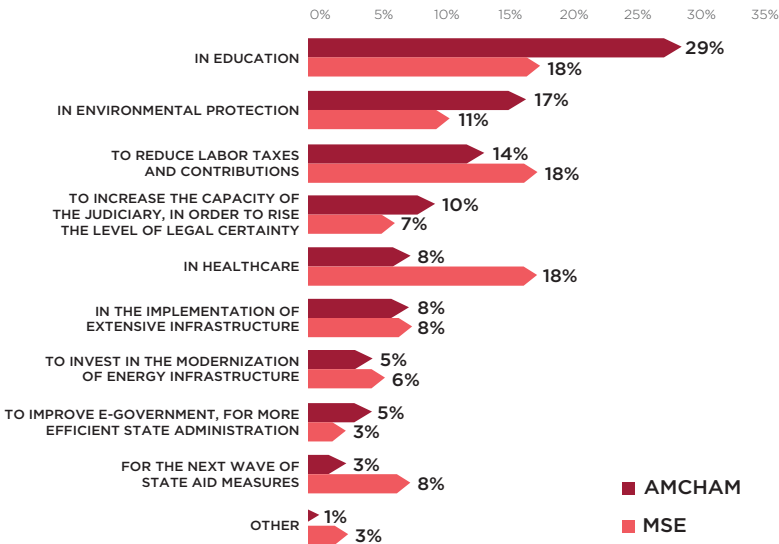
INTERVIEW HIGHLIGHTS

Substantial investment is required into the education system to change how pupils and students learn, whilst curricula must be better aligned to the needs of both society and the economy. Practical and extracurricular activities ought to be introduced that will promote creativity and encourage critical thinking and, in doing so, help children and young people acquire functional skills.

This need is thrown into sharp relief by the poor performance of Serbian students in Programme for International Student Assessment (PISA) testing compared to their EU peers in all three areas, mathematics, science, and reading. Teachers should have their salaries increased and be motivated to continue their professional development, which would in turn permit more modern teaching methods.

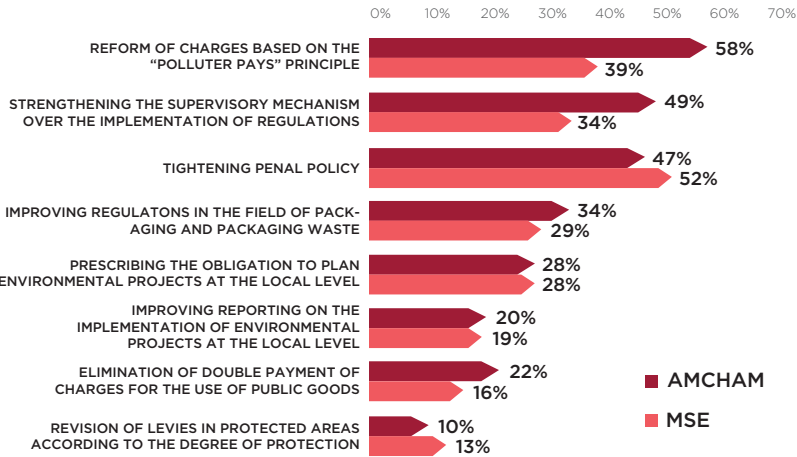
The respondents felt more funding should be earmarked for research and development projects shared between academia and businesses to foster innovative technologies, products, and services across a variety of industries.

AMCHAM AND MSE: EXPECTED INVESTMENT OF PUBLIC FUNDS TO PROMOTE GROWTH



Environmental protection is also emerging as a highly topical issue, both globally and locally. As such, there is little surprise to see AmCham members much more interested in greater investment in this area than before the pandemic, pushing this concern up from 5th place in 2019 to 2nd place in the 2021 rankings. Lower taxes were the third priority for AmCham members (as reported by 14 percent) and second for the MSEs (18 percent), with particular emphasis on reducing the tax burden on the lowest income bracket.

AMCHAM AND MSE: PRIORITY REFORMS TO ENVIRONMENTAL REGULATIONS



INTERVIEW HIGHLIGHTS

Reforms to the environmental fee system to introduce the ‘polluter pays’ principle were ranked first amongst AmCham members (at 58 percent). The respondents believed the fees ought to serve as disincentives for polluting activities and induce businesses to choose technologies and ways of working that reduce adverse impacts on the environment. This arrangement was possible, it was felt, only if the fees were linked to the extent of pollution generated by an activity, and so the respondents suggested reforms to the current para-fiscal environmental protection and improvement charge (as reported by 20 percent of AmCham members and 19 percent of MSEs) and the conservation areas charge (AmCham members, 10 percent, and MSEs, 13 percent).

Strengthening environmental law enforcement and introducing stricter penalties were also high on the list of priorities for both AmCham members and the non-member MSEs, with both groups believing that sanctions ought to be more consistent. Here, the respondents felt the powers of all waste management stakeholders should be clearly defined, as should the roles and responsibilities of local authorities. Inspections should also receive capacity-building in this regard, the companies reported.

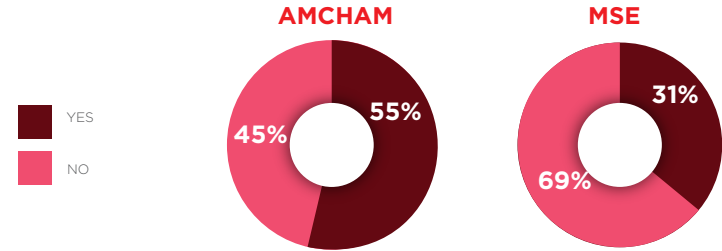
Enhancements to regulation governing packaging and packaging waste were also seen as highly important (by 34 percent of AmCham members and 29 percent of the MSEs), not surprising given the major challenges with the current primary selection system for packaging waste.

Lastly, enhanced planning and reporting on local environmental improvement projects was felt to be a key step for sustainable management of the proceeds of environmental fees and environmental protection expenditures.

X JUDICIAL EFFICIENCY

One-half of all AmCham members (55 percent) felt the judiciary had an adverse impact on their operations, and as such it was unsurprising to see these companies prioritise improvements to the rule of law and judicial efficiency for the third consecutive year. The MSEs, by contrast, were less likely to view an inefficient judiciary as an obstacle to their operations (at 31 percent).

DOES THE JUDICIARY ADVERSELY AFFECT YOUR OPERATIONS?



The primary issues perceived as hindrances to judicial efficiency have remained the same as one year previously. Improving performance of judicial authorities and enhancing their efficiency still count amongst the most significant challenges in creating a business environment characterised by the rule of law, legal certainty, and predictability. As many as 81 percent of all respondents once again cited the length of court cases as their key complaint in this year’s survey, followed by poorly trained judges at 43 percent. The list is completed by the lack of consistency and specialisation in courts, both reported by 41 percent of those polled. These findings indicate comprehensive,

well-designed, and continuous investment is needed into training and specialisation in courts, the prosecution service, and, more broadly, staff in the justice system, to enhance the effectiveness of the sector.

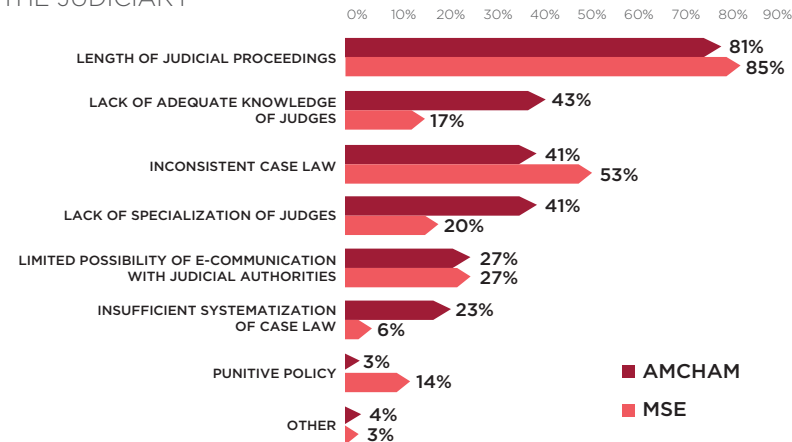
Conversely, MSE respondents found inconsistent application of legal rules to be a much greater obstacle to doing business.

INTERVIEW HIGHLIGHTS

Disproportionately long court cases were seen as the greatest challenge in the judiciary by both large and small companies. Amendments to the Civil Procedure Code, first announced in the early summer of 2021, were intended primarily to introduce electronic filing, service of process, arrangements to ensure procedural discipline, and case management. Delays with the adoption of these changes were viewed as detrimental to efforts to make the judiciary more efficient and access to justice more affordable.

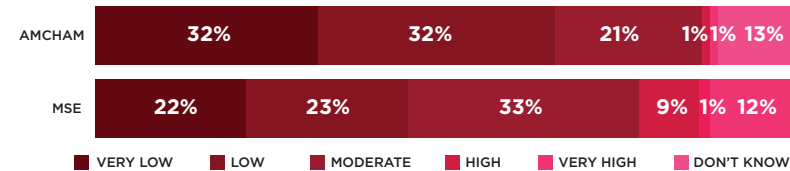
In qualitative interviews, the respondents also drew attention to a lack of specialisation in the judicial profession. It was reported that judges at the Administrative Court, for instance, were required to be familiar with 700 different regulations and 130 areas of administrative law without any sort of functional specialisation in any particular legal topic, including complex issues such as tax procedure and anti-trust law.

AMCHAM AND MSE: OBSTACLES TO DOING BUSINESS POSED BY THE JUDICIARY



Both members and non-members were dissatisfied with the current state of judicial efficiency. Two-thirds of AmCham members (64 percent) felt courts were 'poorly' efficient, as did nearly one-half of the MSEs (45 percent). By contrast, no more than 2 percent of AmCham members believed the courts were 'good' or 'outstanding' in terms of efficiency, an opinion shared by 10 percent of the MSEs. In addition, one in five AmCham members (21 percent) and one in three MSEs (33 percent) felt the courts' efficiency was 'moderate'.

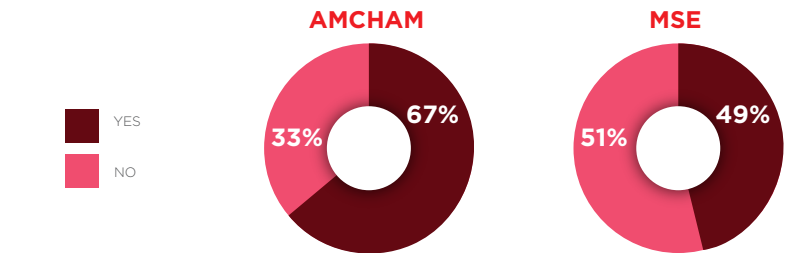
AMCHAM AND MSE: PERCEIVED JUDICIAL EFFICIENCY



XI ADDRESSING CORRUPTION

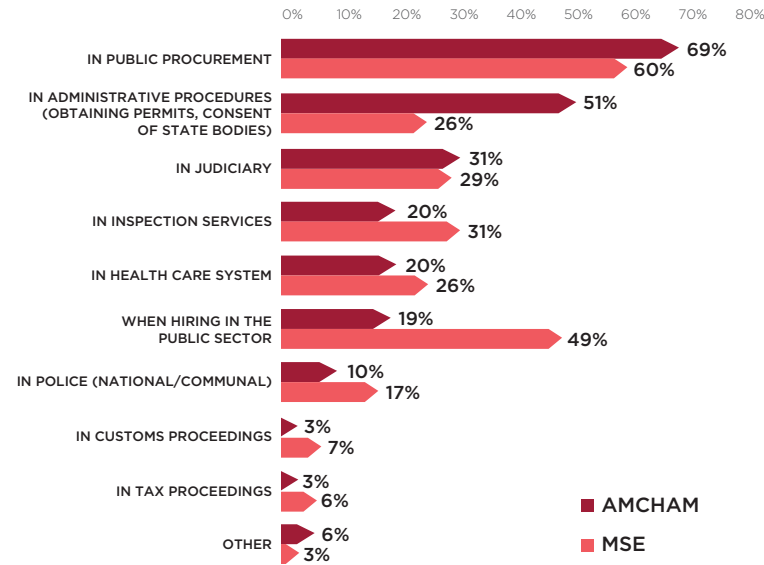
Two-thirds (67 percent) of all AmCham members believed corruption affected their business, but opinions were divided in the non-member sample.

AMCHAM AND MSE: PERCEIVED JUDICIAL EFFICIENCY



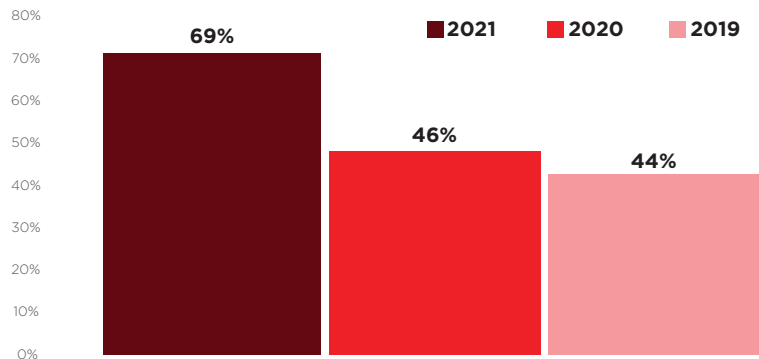
Most AmCham members (69 percent) believed corruption was at its most widespread in public procurement, as did 60 percent of the MSEs. Next in line for perceived corruption were administrative procedures (51 percent) and the judiciary (31 percent). Apart from public procurement, non-member MSEs also viewed hiring in the public sector as prone to corrupt practices (as reported by 49 percent of this group).

PERCEPTIONS OF CORRUPTION



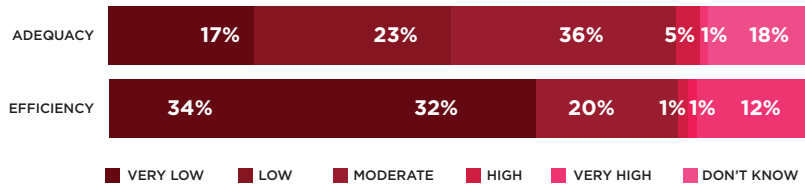
In 2021, AmCham member companies were much readier to cite corruption in public procurement than in previous surveys. Additionally, corrupt practices were perceived to a greater extent in administrative procedures and in public-sector hiring.

PERCEIVED CORRUPTION IN PUBLIC PROCUREMENT: TREND



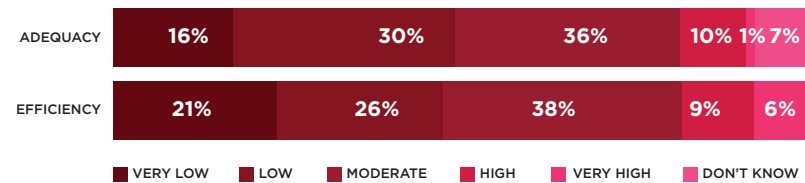
The adequacy of the legal anti-corruption framework and the effectiveness of government authorities in addressing corrupt practices once again received low scores, with AmCham members continuing to make the distinction between passable statutory provisions and their poor implementation. No more than 6 percent of those polled felt the legal framework was ‘good’ or ‘outstanding’ in its appropriacy, whereas the same views were shared for effectiveness of its implementation by even fewer respondents, at 2 percent. The anti-corruption framework received the average score of 2.4, whilst the authorities charged with putting it into effect scored an even more abysmal 1.9. The MSEs were also highly critical of the legal framework (2.5) and, to a somewhat lesser extent, implementation efficiency as well (2.4).

AMCHAM: ADEQUACY OF THE LEGAL FRAMEWORK AND GOVERNMENT EFFICIENCY



Adverse opinions also tended to dominate assessments of the authorities’ efficiency in addressing corruption, both those made by AmCham members (66 percent) and non-member MSEs (47 percent). By contrast, no more than 2 percent of AmCham companies and 9 percent of the non-member sample believed the authorities were ‘very’ efficient. Moreover, one-fifth of AmCham members (20 percent) felt this efficiency was ‘moderate’, the same as over one-third of the MSEs (38 percent).

MSE: ADEQUACY OF THE LEGAL ANTI-CORRUPTION FRAMEWORK AND GOVERNMENT EFFICIENCY



XII E-GOVERNMENT

The Covid-19 pandemic has required the whole world to quickly adapt to the 'new normal', a time when the internet and new technologies are fast becoming primary means of communication. Many Serbian companies have shifted to remote working, the public have turned to the e-government web site, and the authorities have developed new services and consolidated data registers.

INTERVIEW HIGHLIGHTS

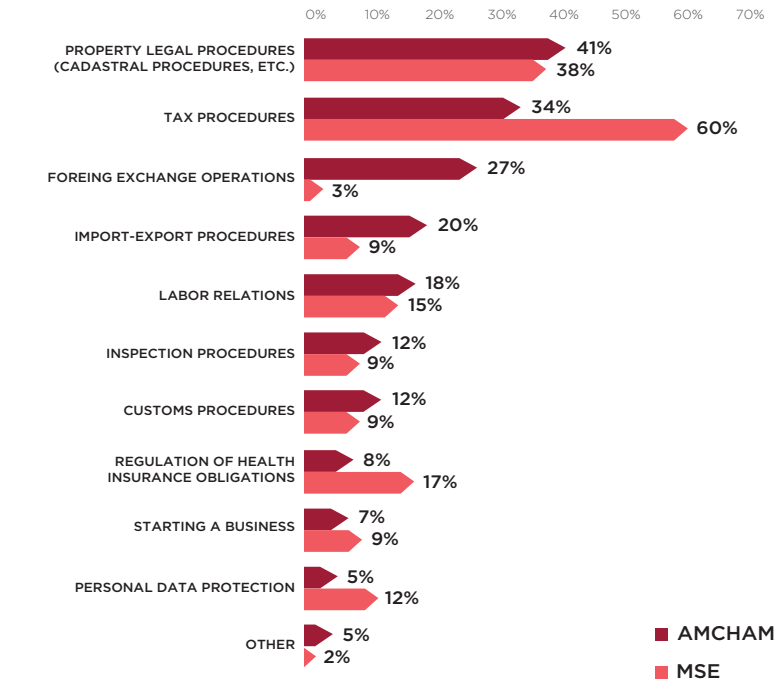
AmCham members welcomed the completion of the National Register, which has consolidated no fewer than 13 different databases maintained by five institutions and is set to aid in the development of new e-government services. Making sure the data are accurate and complete will be the primary task going forward.

When asked how e-government could help make administrative procedures more efficient, 41 percent of all AmCham members cited property registration, followed by tax procedures (34 percent) and foreign exchange operations (27 percent). The MSEs were unequivocal in their support for continued automation of tax processes, as reported by no fewer than 60 percent of those polled. Major differences in opinions between large and small firms was also in evidence when it came to calls for streamlining foreign exchange regulations, cited by no more than 3 percent of the MSEs.

INTERVIEW HIGHLIGHTS

Even though a great deal of progress has certainly been made in digitalising property registration, delays with processing second-instance cases have contributed to the cadastre being perceived as slow and inefficient. Moreover, full automation in this area requires other stakeholders (such as notaries) to also be able to provide their inputs to the process digitally.

BURDENSOME ADMINISTRATIVE PROCEDURES



Priorities for facilitating digital operations reported by the respondents included making it easier to use electronic signatures (AmCham members, 51 percent; MSEs, 24 percent); doing more to control illicit trade online (AmCham, 19 percent; MSEs, 30 percent); introducing electronic medical records (AmCham, 14 percent; MSEs, 15 percent); and rolling out electronic bills of lading (AmCham, 13 percent; MSEs, 31 percent).

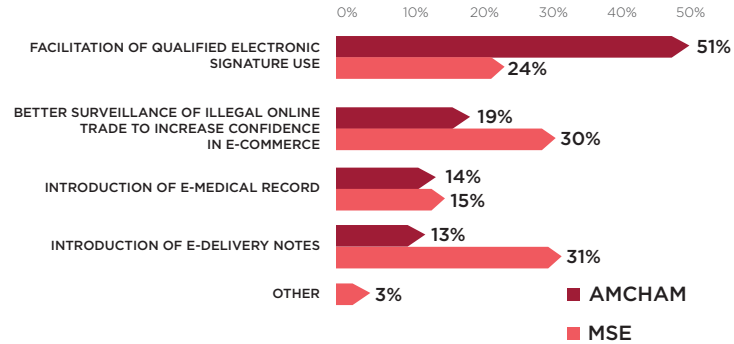
INTERVIEW HIGHLIGHTS

The companies saw digital identification schemes as an indispensable precondition for continued digitalisation of operations. One notable such arrangement is the ConsentID app, launched by the Serbian E-Government Administration in the autumn, that will facilitate use of remote cloud-based electronic signatures. The respondents felt this was an excellent first step, but that its adoption would require educating the population to ensure mass adoption of these highly secure trust services.

The coronavirus outbreak has done much to change consumer behaviour and promote growth of e-commerce. For all its benefits, this has caused an expansion of illicit and informal online trade. Both large and small companies agreed it was necessary to raise public awareness of how to recognise and avoid illegal online traders by relying on consumer rights guarantees. The 'Click Safe, Buy Authentic' campaign, organised by the Ministry of Trade, Tourism and Telecommunications, AmCham, and the Serbian E-Commerce Association, was cited as an example of public-private collaboration to this end.

Experiences with covid-19 have lent renewed significance to calls for improving healthcare services and digitalising the health service. A key milestone in this effort would be the introduction of electronic medical records that will consolidate all patient information from the national health service and private healthcare providers.

PRIORITY E-GOVERNMENT SERVICES





AMCHAM SERBIA
A LEADER IN CHANGE