AMCHAM SERBIA

A LEADER IN CHANGE

THE 10TH LAP TIME

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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 enterprises (MSEs) perceive the business environment in Serbia and their performance in 2022 and plans for the coming year, as well as of the significance of promoting regional co-operation through the Open Balkans initiative. The survey has been performed annually since 2013, with a hiatus only in 2015.

IMPACT OF CRISES ON BUSINESS IN 2022

The vast majority of AmCham members (86 percent) believe they will meet or exceed their planned performance targets despite the Ukraine crisis. Firms expecting to see their business take a hit believed their profits will be affected (as reported by 20 percent of the respondents), followed by impacts on revenue (14 percent), and planned investment (14 percent), whilst likely effects on employment were reported by very few AmCham member companies (6 percent). Nevertheless, the adverse impact of global developments on business was evidently greater in 2022 than during the Covid-19 pandemic of 2021.

Conversely, MSEs perceived the crisis as a greater threat to their operations. Slightly more than one-half of these firms (58 percent) expected to continue business as planned or grow in 2022. Relative to the AmCham sample, nearly thrice as many MSE respondents (42 percent) felt their revenue would decline, whist 45 percent felt the same about profits. Even though the fewest of these companies reported their employment was expected to suffer, this view was nonetheless shared by one in five MSEs.

Both AmCham members and MSEs saw accelerating inflation, rising energy prices, and unpredictable cost of raw materials/inputs as the greatest threat to their operations.

BUSINESS ENVIRONMENT

AmCham member companies reported the **lowest satisfaction with the business environment** in 2016, when over one-half were unhappy with the operating climate. In 2022, the sentiment was more positive and did not change appreciably relative to 2021. The respondents' average score for the business environment was 2.8, meaning that the vast majority of AmCham member companies (73 percent) were 'moderately satisfied', with 6 percent being 'very satisfied'. The sample of MSE firms was somewhat more sceptical, with an average score of 2.7: here, 63 percent were either 'moderately' or 'very' satisfied, with one-third unhappy with the business environment.

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. As this finding has remained unchanged since the Lap Time survey was first instituted, EU membership seems to be viewed as the token of stability of the business environment and predictability of short- and long-term economic development.

FORECASTS FOR THE COMING YEAR

Workforce availability saw workforce availability as the **greatest challenge** for AmCham members in 2023. These companies have consistently ranked that issue amongst the top two problems in the last five years of the survey. Labour constraints were followed by the ongoing crises. In 2021 the Covid-19 crisis was the topical issue, whilst in this year's survey the conflict in Ukraine has attracted the most attention. Payment's discipline was the third most significant challenge for both AmCham members and MSEs, with this issue recording the highest increase in perceived importance of all challenges identified by AmCham firms in 2021.

Optimism for the coming year was at its lowest ebb AmCham first instituted the survey. The respondents had the greatest expectations for 2020 (when 78 percent had expected growth), with the figure falling to no more than 43 percent for 2023. Some consolation can be found in the fact that most AmCham members (46 percent) forecast no change in 2022, with 11 percent expecting a contraction, a result comparable to that of the first year of Covid-19. These forecasts have also led to lower expectations for new hiring (from 61 percent in 2020 to 38 percent in 2023), but even here most firms (58 percent) anticipated they will retain the same staff numbers and only 4 percent expected layoffs. Despite declining optimism for growth in 2023, six out of ten AmCham members reported planning investment in business optimisation, digitalisation, and small-scale improvements. There has been a 10 percent fall in the number of AmCham firms that expect fresh investment.

In past years the MSE sample had consistently been more optimistic than the AmCham members, but in this survey the roles have been reversed. One-half of the MSEs believed their business will remain at 2022 levels in the coming year, whilst one-third expected a contraction. The vast majority of these firms (81 percent) were planning to retain existing staff, and three-quarters did not plan for new investment.

REFORMS TO PROMOTE LONG-TERM BUSINESS GROWTH

Reforms to promote long-term business growth. Most AmCham members (60 percent) and nearly one-half of the MSEs (44 percent) perceived tackling corruption as a priority reform. The AmCham sample also cited judicial efficiency and the rule of law (57 percent), the Green Agenda (49 percent), and efforts to reduce the shadow economy (44 percent). In second and third place for the MSEs were more flexible labour regulations (43 percent) and a transparent and efficient public procurement framework (41 percent).

Judiciary. As in previous years, more than one-half of the AmCham companies (65 percent) believed judicial efficiency was ‘low’ or ‘very low’, whereas 33 percent perceived it as ‘mediocre’ and no more than 1 percent as ‘high’. The key complaint reported by AmCham members was case length, as cited by 81 percent, followed by lack of consistency at 57 percent and inability to communicate with judicial authorities online, at 43 percent. The MSE sample reported the same grievances with the judiciary.

Corruption. Addressing corruption has now been recognised as a priority reform that would promote the business environment after being ranked second in both samples for the previous three years. The AmCham members believed corruption was at its most widespread in public procurement (at 69 percent), administrative procedures (51 percent), and the judiciary (40 percent). Conversely, the top-ranked areas prone to corruption according to MSEs were administrative procedures, law enforcement, inspections, and public procurement.

PUBLIC INVESTMENT

AmCham members continued to view education as the prime target for public investment designed to promote growth, followed in 2022 by modernisation of energy infrastructure. The MSEs believed investment for growth ought to primarily be aimed at reducing labour taxes, with education in second place.

INVESTMENT PRIORITIES AND POLICIES FOR WEATHERING THE CRISIS

Digital transformation: one-half of both AmCham members and MSE respondents believed it was important to digitalise government procedures in labour and property law, health, judiciary, tax, and administration; according to the companies, this required recognising the validity of electronic documents and signatures and enhancing digital skills and cybersecurity in both the private and the public sector.

Green Agenda, energy and the environment. More than one-half of AmCham member firms believed two reforms key for implementing the Green Agenda were completing the set of regulations to foster investment in renewables and reforming business fees to introduce the ‘polluter pays’ principle. More than 50 percent of those polled also felt energy efficiency should continue to be fostered to increase energy supply, as well as that penalties for environmental non-compliance should be tightened and prosecution capacity increased. The MSEs reported the same priorities in identical order, save that for them enhancing packaging waste regulation came second.

Healthcare. Most AmCham members and MSEs felt better integration of private healthcare providers in services funded from compulsory health insurance was a priority for healthcare reforms. Two other key reforms were introducing electronic medical records and accelerating the digitalisation of procedures mandated by ALIMS, the pharmaceutical industry regulator. The second-ranked reform for the MSEs was streamlining the Health Insurance Fund’s procedures for introducing innovative treatments.

Enhancing regional economic co-operation. The greatest proportion of the AmCham sample recognised that Open Balkans ultimately aimed to put into effect the ‘four freedoms’ – free movement of goods, people, capital, and services – whilst the MSEs generally believed the goals were free movement of people and services. More than one-half of the AmCham members (53 percent) believed the initiative ought to extend to all six economies in the region, namely Albania, Bosnia and Herzegovina, Montenegro, Kosovo, and North Macedonia, with 41 percent of the MSEs sharing the same view.

II
METHODOLOGY AND DEMOGRAPHICS

Fieldwork was conducted by AmCham, with the assistance of Ipsos Strategic Marketing, from July to September 2022. AmCham member companies were surveyed using an online questionnaire. A total of 50 qualitative interviews were also organised in which respondents 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 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 as well as including questions on current topics.

SAMPLE DEMOGRAPHICS

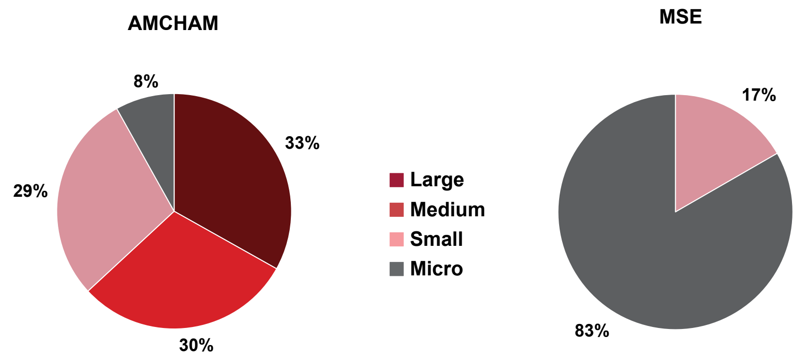
The **AmCham** sample was made up of 160 AmCham members, of which 33 percent were large, 30 percent medium-sized, and 29 percent small firms; a final 8 percent were micro-enterprises. Companies with more than 500 staff accounted for close to one-quarter, or 23 percent, of the sample, with firms of between 100 and 500 employees making up another 25 percent, and the remaining half (52 percent) comprising companies employing 100 or fewer people. As many as 83 percent of the AmCham members surveyed did not employ a single worker at the Serbian statutory minimum wage. 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 two samples differed greatly when it came to use of state subsidies. The percentage of AmCham members that reported doing so (22 percent) was nearly three and a half times smaller than the proportion of MSEs that relied on subsidies (74 percent). AmCham companies were also increasingly less likely to use state aid, a trend largely attributable to the withdrawal of the assistance package offered during the Covid-19 pandemic.

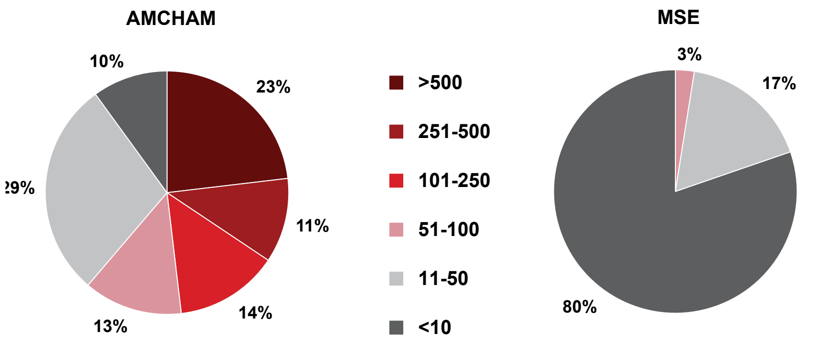
Qualitative interviews were conducted with 50 selected AmCham member companies who were asked to comment on the findings of the quantitative survey and elaborate on the key challenges for doing business. The qualitative sample covered the same sectors as the quantitative one, and all respondents in this group were company CEOs.

The **MSE sample** comprised 153 firms, of which 83 percent were micro-enterprises and 17 percent were small businesses. No more than 3 percent of the companies employed over 50 staff; 17 percent had between 11 and 50 workers; and a final 80 percent employed fewer than 10 people. In contrast to AmCham members, slightly fewer MSE interviewees were top managers (78 percent), with somewhat more than one-fifth (22 percent) being middle managers. Three-quarters of the MSEs reported having used government subsidies, in a slight increase on last year and counter to the trend amongst AmCham firms.

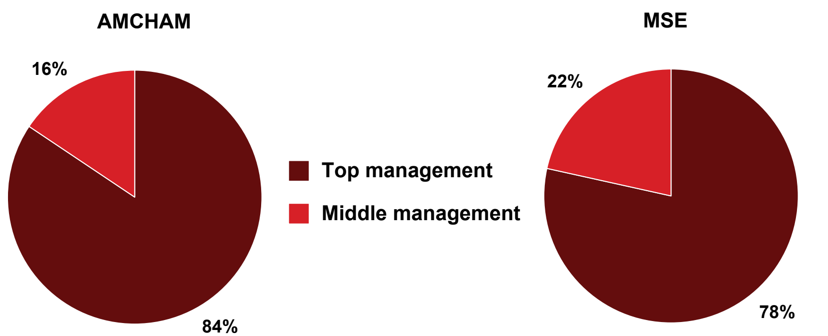
COMPANY SIZE



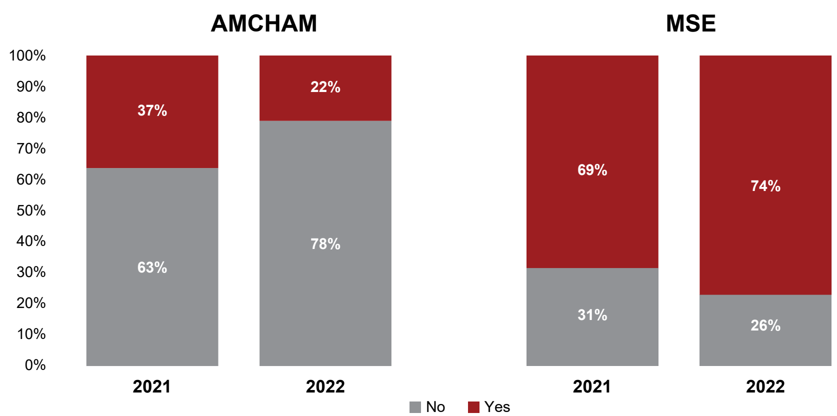
NUMBER OF EMPLOYEES



RESPONDENT POSITION



USE OF GOVERNMENT SUBSIDIES

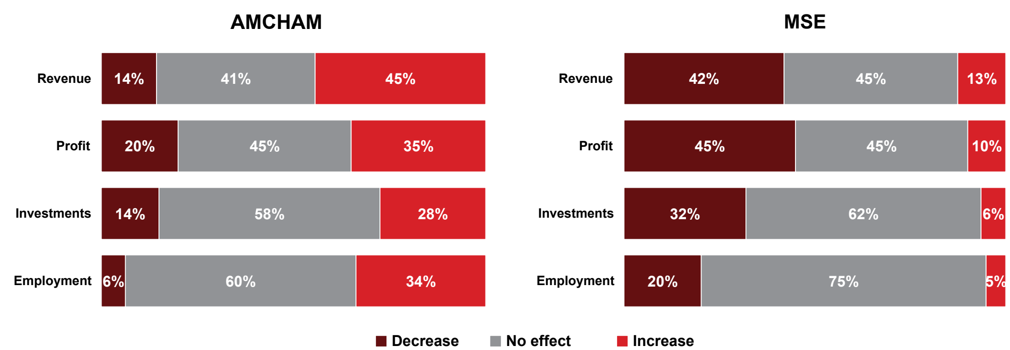


III
PERFORMANCE IN 2022

Asked about the impact of the global crisis on their 2022 performance, AmCham members were more optimistic than MSEs about their revenue and profits: 45 percent of the member firms believed their revenue would grow in excess of what had been planned, whilst 35 percent felt profits would also increase. Conversely, the MSEs were somewhat more likely to believe both revenue and profits would fall due to the crisis (42 and 45 percent, respectively).

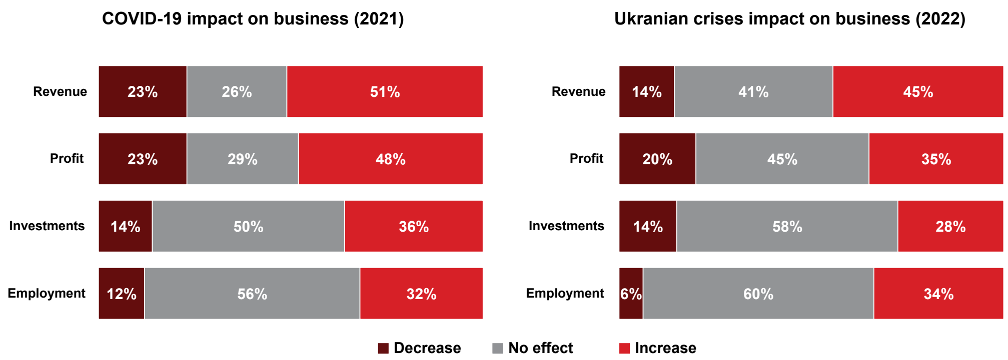
The greatest proportion of both AmCham members and MSEs felt the crisis would not appreciably affect investment and employment. That said, a not insignificant number of member companies also believed investment and employment could increase (28 and 34 percent, respectively). By contrast, some MSEs expected investment and employment to contract as a consequence of the crisis (32 and 20 percent, respectively).

IMPACT OF THE GLOBAL CRISIS ON PERFORMANCE, 2022



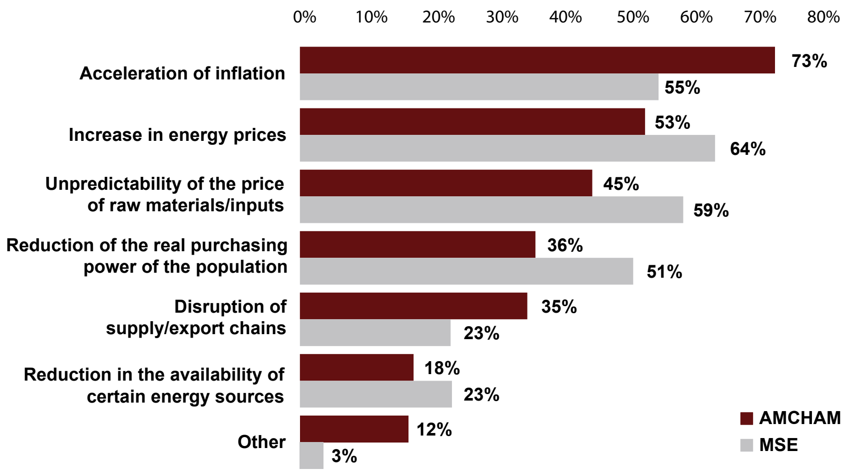
In the 2021 survey, AmCham members were somewhat optimistic about both revenues and profit (48 and 51 percent, respectively, in 2021, vs 35 and 45 percent, respectively, in 2021). In addition, in 2021 AmCham companies felt the Covid-19 crisis would not have a substantial negative impact on investment and employment (14 and 12 percent, respectively), a trend that has largely persisted, and improved in the case of employment, in 2022 (at 14 and 6 percent, respectively).

AMCHAM: IMPACT OF THE TWO GLOBAL CRISIS ON PERFORMANCE IN 2021 AND 2022



Accelerating inflation, rising energy prices, unpredictable cost of raw materials and inputs, falling real purchasing power, and supply chain and export disruptions were all seen as major adverse impacts of the crisis by both sample populations.

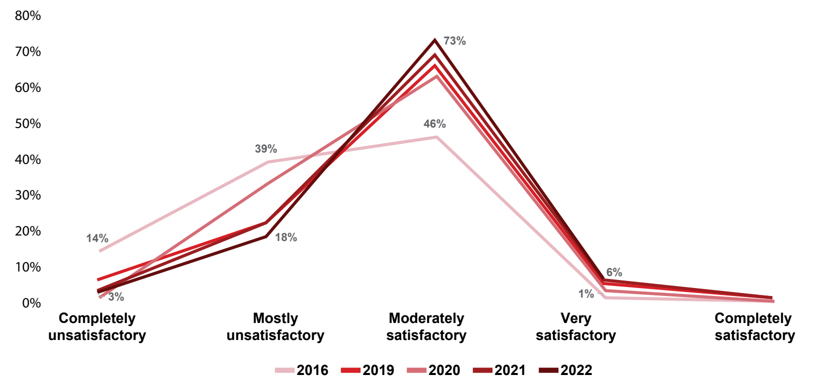
ADVERSE IMPACT OF THE GLOBAL CRISIS



IV
BUSINESS ENVIRONMENT

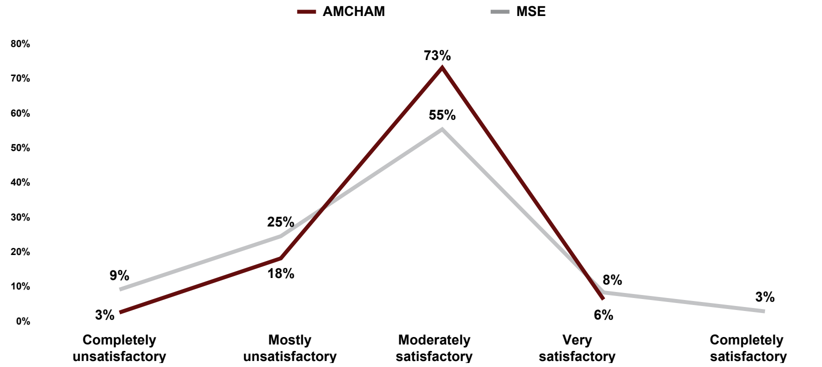
AmCham member companies reported the **lowest satisfaction with the business environment** in 2016, when 53 percent were unhappy with the operating climate. In 2022, the sentiment was much more positive, with negative perceptions falling to a historic low as 21 percent of AmCham members saw the business environment as 'mostly' or 'completely' negative. The respondents' average score for the business environment was 2.8, with the largest number of respondents to date claiming they were 'moderately satisfied' (73 percent) and 'very satisfied' (6 percent).

AMCHAM MEMBERS: SCORES FOR QUALITY OF BUSINESS ENVIRONMENT IN SERBIA



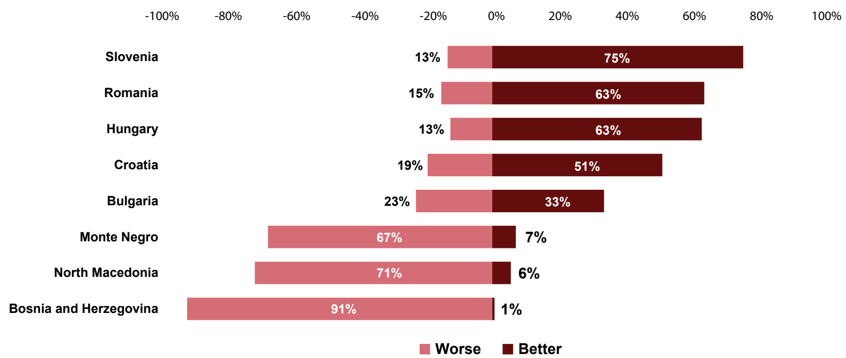
The sample of MSE firms was somewhat more sceptical, with an average score of 2.7: here, 63 percent were either 'moderately' or 'very' satisfied, with more than one-third (34 percent) sharing the opposite view that the business climate was either 'mostly' or 'completely' negative. No more than 3 percent of the MSE sample awarded the highest marks to the business environment.

SCORES FOR QUALITY OF BUSINESS ENVIRONMENT IN SERBIA



Comparing the business climate in Serbia with the region, most AmCham members viewed Bosnia and Herzegovina (91 percent), North Macedonia (71 percent), and Montenegro (67 percent) as less attractive business destinations than Serbia. Perceptions of all three of the region's non-EU economies have all deteriorated relative to the 2021 survey. By contrast, the majority of AmCham firms believed Slovenia (75 percent), Romania (63 percent), and Hungary (63 percent) were better places for doing business, with one-half (51 percent) also sharing the same view for Croatia. The greatest percentage of the member companies (44 percent) felt Bulgaria was in a position similar to that of Serbia, whilst substantially fewer respondents in 2022 believed Serbia could compare with other neighbouring EU member states (and more viewing them as more attractive destinations for business).

AMCHAM MEMBERS: SERBIA AS AN INVESTMENT DESTINATION COMPARED TO THE REGION

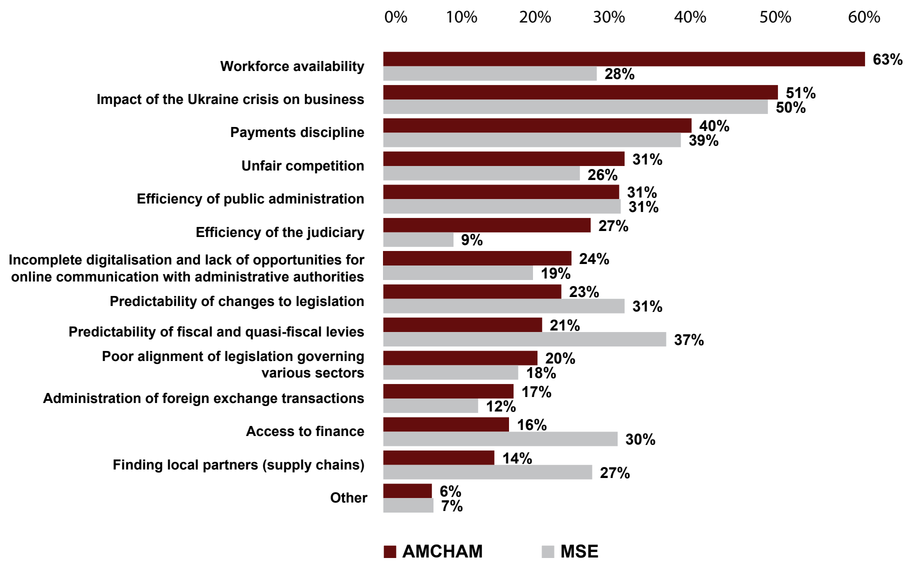


V
FORECASTS FOR 2023

Workforce availability is the greatest challenge AmCham members foresee for 2023. AmCham companies have consistently ranked this factor amongst the top two issues in the five previous surveys. The current crises and their knock-on effects came next for AmCham members and were the key problem for MSEs. Both groups of respondents also identified payments discipline as a major issue, with perceptions of this problem seeing the greatest increase of any single issue identified by AmCham members relative to last year. AmCham companies had not specifically reported late payment issues in previous surveys, and this year's responses primarily mentioned government payments to the ICT and healthcare sectors, as well as extension of payment periods for services provided by the private sector. Unfair competition and public administration efficiency were also identified as major challenges (at 31 percent).

Whilst the MSEs were less worried about workforce availability, they were more likely to cite the predictability of fiscal and quasi-fiscal levies (37 percent) and the predictability of changes to legislation (31 percent).

KEY CHALLENGES IN THE COMING YEAR



Optimism for the coming year was at its lowest ebb since AmCham first instituted the survey. Growth and new hiring were expected by 43 and 38 percent, respectively, of the AmCham members polled, a major drop relative to record-breaking 2020, when 78 percent had expected growth and 61 percent envisaging new hiring. This indicator reveals the scale of the impact of the global crisis, the uncertainty it continues to create, and the consequent slowdown in operations. Some consolation can be found in the fact that most AmCham members (46 percent) forecast no change in 2022, with 11 percent expecting a contraction, a result comparable to that of the first year of Covid-19. These forecasts have also led to lower expectations for new hiring but even here most firms (58 percent) anticipated they would retain the same staff numbers and only 4 percent expected layoffs. Despite declining optimism for growth in 2023, six out of ten AmCham members reported planning investment in business optimisation, digitalisation, and small-scale improvements. There has been a 10 percent fall in 2021 in the number of AmCham firms that expect fresh investment.

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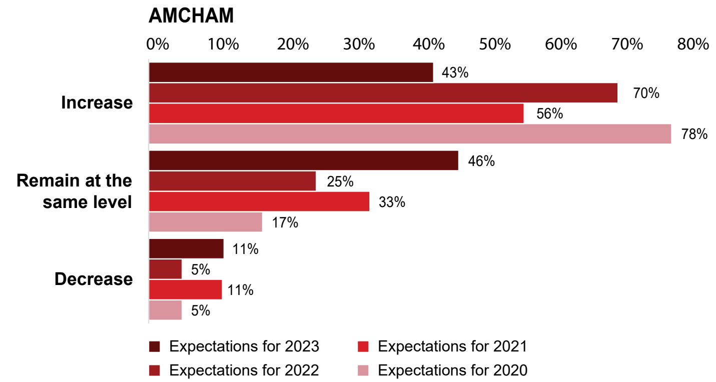
EXPECTATIONS FOR 2023

PLANNED WORKFORCE CHANGES IN 2023

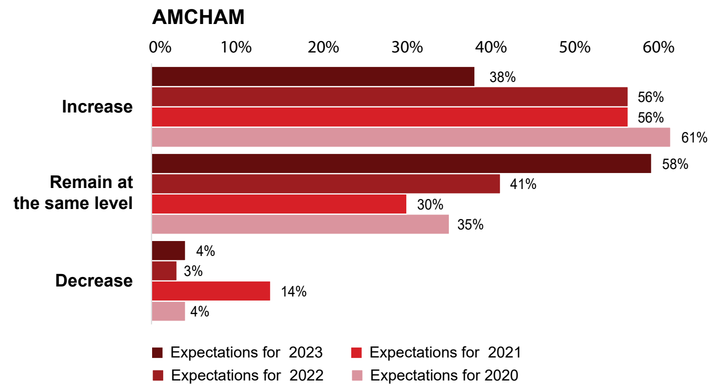
The trend of expectations reported by AmCham members shows 2019 recorded the greatest optimism for future growth (at 78 percent). The 2020 survey – which looked at expectations for 2021 – revealed a drastic fall (to 56 percent), an immediate consequence of the Covid-19 pandemic. Expectations for growth in 2022 again increased to levels similar to those for 2020 (70 percent), only for pessimism to rise to its highest levels yet at 43 percent.

EXPECTATIONS FOR THE COMING YEAR (TREND)



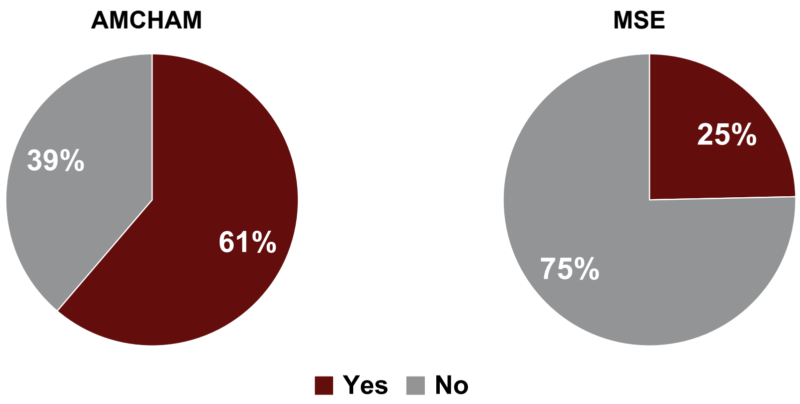
A total of 61 percent of all AmCham members believed they would add workers in 2020, whilst in the following two years slightly over one-half of these firms (56 percent) felt they would hire new staff (according to their 2021 and 2022 predictions). Hiring forecasts for 2023 were much lower than those for previous years (at 38 percent). Most AmCham companies felt staffing levels would not change in 2023 relative to 2022.

PLANNED WORKFORCE CHANGES IN THE COMING YEAR (TREND)

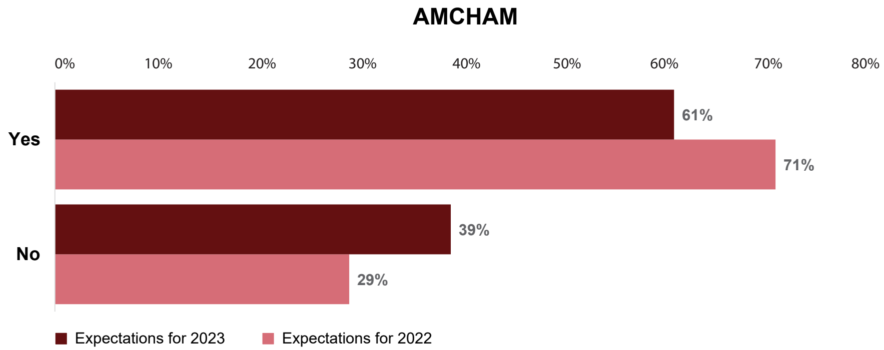


The two samples differed greatly in their attitudes towards new investment in 2023. Three-fifths of AmCham members reported planning new investment, whilst the figure for the MSEs was 25 percent. This finding is consistent with the results of the previous two annual surveys and suggests much greater financial exhaustion of the MSEs as a consequence of the ongoing global crisis and the Covid-19 pandemic.

NEW INVESTMENT IN 2023



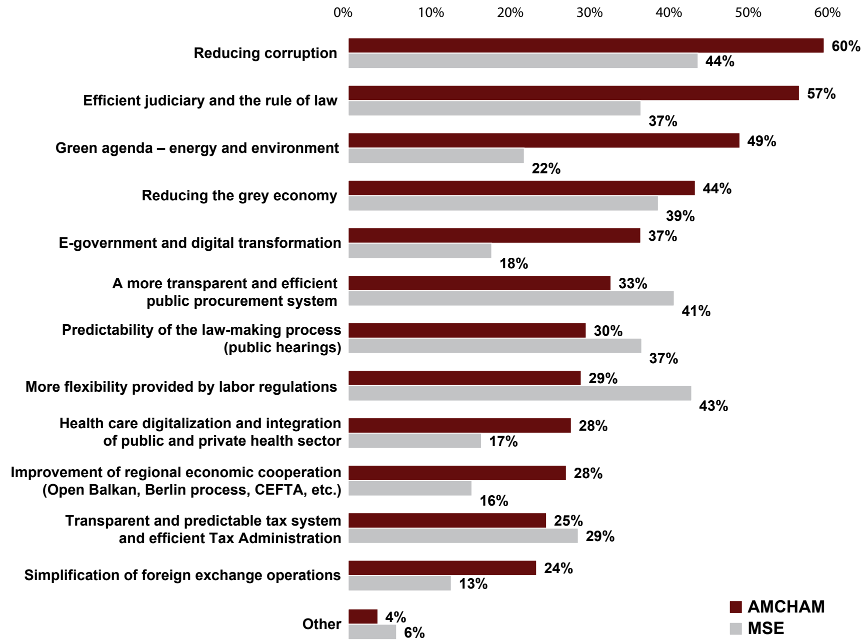
NEW INVESTMENT IN 2023 (TREND)



VI
REFORMS FOR LONG-TERM GROWTH

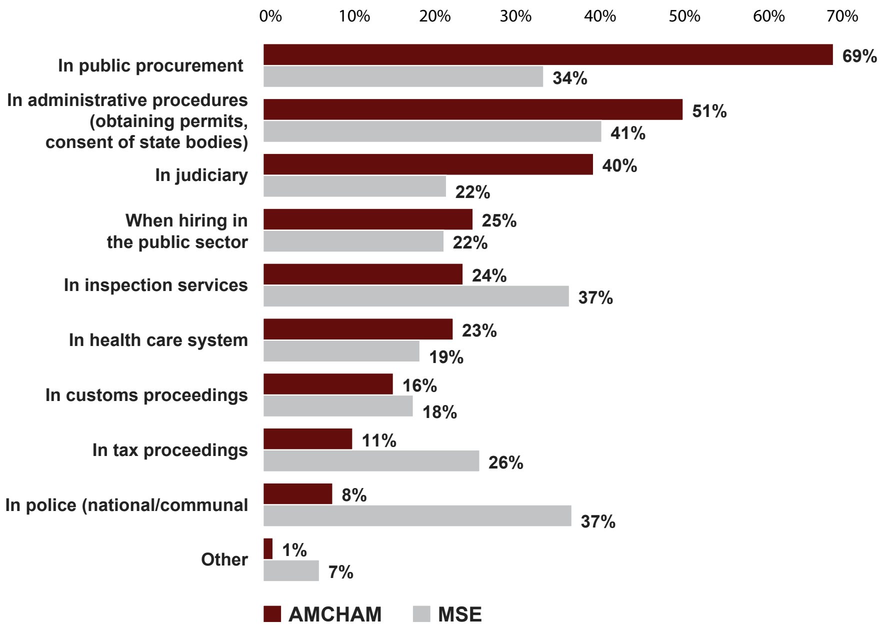
In keeping with the results of the last three annual surveys, AmCham members continued to view institutional reforms – tackling corruption and enhancing judicial efficiency and the rule of law – as key actions. The third priority was consistent implementation of the Green Agenda in both energy and environmental protection.

REFORMS FOR LONGTERM ECONOMIC GROWTH



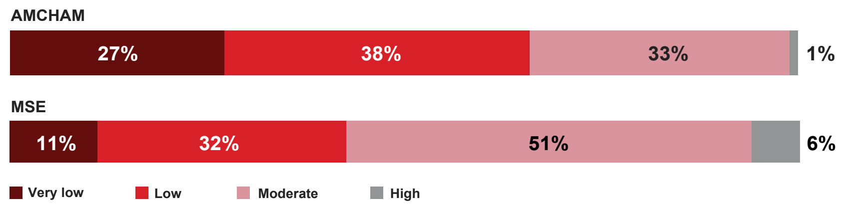
Both AmCham members and MSEs believed corruption warranted the most immediate attention to improve Serbia's business environment. The greatest proportion of AmCham members felt corruption was at its most pervasive in public procurement (69 percent), followed by administrative procedures (51 percent) and the judiciary (40 percent). The MSEs believed administrative procedures (41 percent), inspections and law enforcement (both 37 percent), and public procurement (34 percent) were prone to corruption.

PERCEIVED CORRUPTION BY AREA



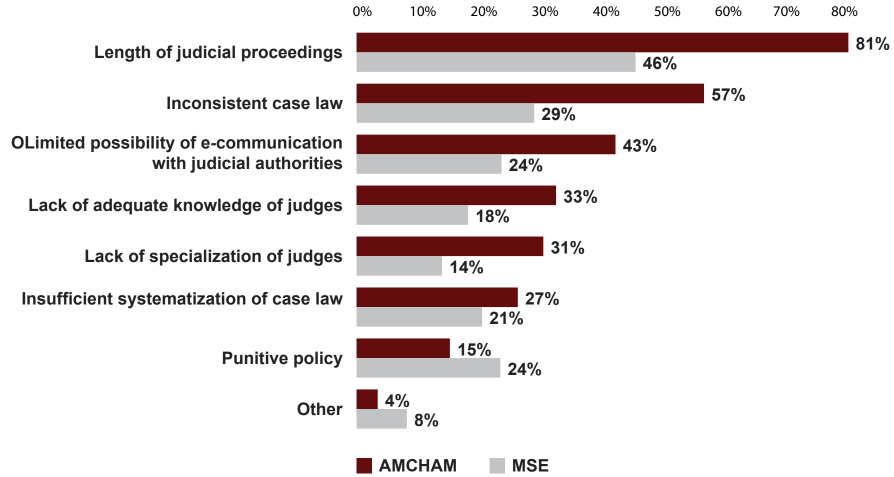
With the judiciary having a direct and far-reaching impact on the predictability of doing business, it comes as no surprise to see rule of law and judicial efficiency reforms topping businesses' priority lists for several years. In 2022, most AmCham member companies believed judicial efficiency was 'low' or 'very low', whereas 33 percent perceived it as 'mediocre'. Conversely, one-half of the MSEs (51 percent) felt judicial efficiency was 'mediocre', 43 percent saw it as 'low' or 'very low', and no more than 6 percent viewed it as 'high'.

JUDICIAL EFFICIENCY



The respondents recognised the judiciary posed similar challenges to doing business as in 2021. The performance and efficiency of judicial authorities remained a key precondition for creating an environment based on the rule of law, legal predictability, and consistent conditions for doing business. Court case length was reported as the most significant complaint by as much as 81 percent of AmCham member companies and 46 percent of MSEs, followed in second place by inconsistent case law (57 percent). Ranked third was the lack of options for communicating with the judiciary online (43 percent), the issue with the highest increase in perceptions relative to 2021 (27 percent). Moreover, one-third of all AmCham members cited judges' lack of expertise (33 percent) and their inadequate specialisation (31 percent) as obstacles to doing business posed by the justice system.

BIGGEST CHALLENGES FOR BUSINESSES IN THE AREA OF JUDICIARY

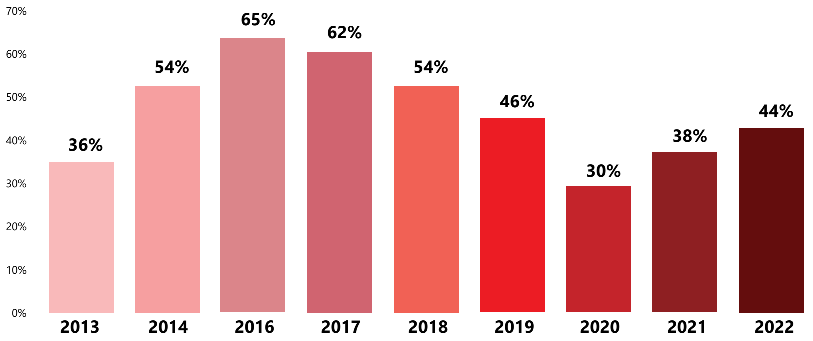


The respondents felt eSud ('E-Court') software should allow cases to be processed electronically at all commercial courts (including enforcement and bankruptcy cases), as well as electronic service of process, exchange of documents, and access to case files by interested parties. This would significantly reduce scope for intentionally protracting cases (by avoiding service of process), cut costs (as electronic operations obviate travel expenses and other similar expenditures), enhance transparency of procedures and court rulings, and promote environmental sustainability by largely eliminating paper use. Moreover, consistent publication of anonymised high court rulings online in a keyword searchable format would enhance efficiency, help standardise case law, improve the predictability of court rulings, and build trust in the judiciary.

Whereas the first two priorities in 2022 only traded places relative to previous years although the percentages remained largely the same, the Green Agenda has now emerged as a key problem, rising from the bottom of the rankings to their very top. This trend may be explained by ongoing energy security challenges and the need to switch to greener energy sources, as well as by the closely related calls to reduce pollution and safeguard natural resources.

Whereas addressing the shadow economy had been declining in perceived importance until 2020, when it stood at a historic low (of 30 percent), surveys conducted in the wake of the Covid-19 pandemic once again demonstrated the relevance of continuing reforms in this area. This finding is closely linked to the growth of e-commerce during the pandemic, which led illicit trade online to gain in importance once again.

AMCHAM MEMBERS:
ADDRESSING THE SHADOW ECONOMY AS PRIORITY REFORM



The respondents felt the greatest improvements over previous years were made with judicial efficiency, e-government, and digital transformation. In this context, the companies particularly cited the increasing extent of online services provided to people and businesses, removal of requirements to physically visit government departments to submit physical documents, completion of the government data centre in Kragujevac, finalisation of the

Central Population Register and development of the Meta-Register, and strengthening of cybersecurity safeguards.

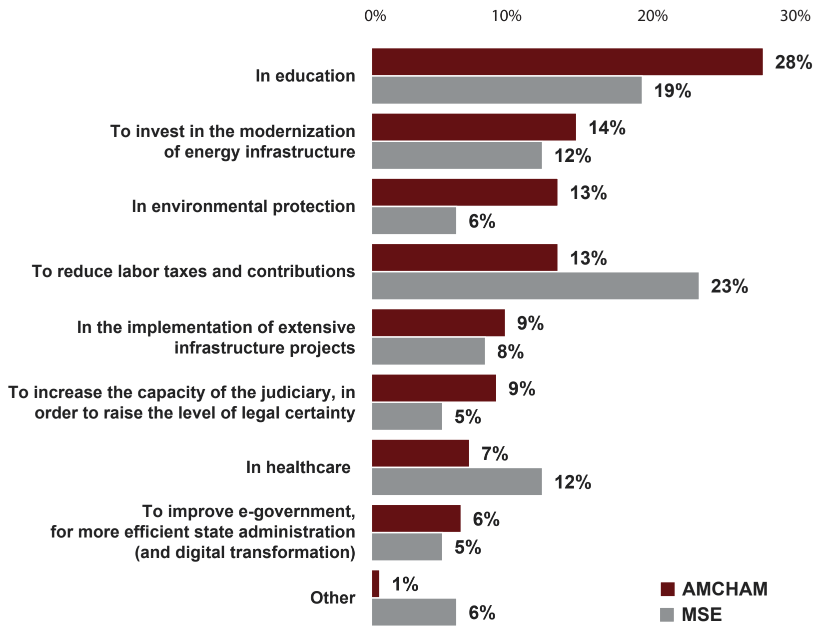
Addressing corruption was a high priority for both MSEs and AmCham members. However, the MSEs prioritised greater flexibility of labour regulations, a transparent and predictable taxation system and efficient Tax Administration, and efforts to tackle the shadow economy, with the judiciary and rule of law trailing all of these aspects. The largest discrepancy was noted for the Green Agenda (considered a priority by 49 percent of AmCham members and 22 percent of MSEs), as well as for e-government and digital transformation (cited by 37 percent of AmCham companies and 18 percent of MSEs).

VII
PUBLIC INVESTMENT

For several years, close to one-third (28 percent) of the AmCham members surveyed have believed education ought to be the first priority target for public investment designed to drive growth. Investment in modernising energy infrastructure was also seen as important, viewed in 2022 as more relevant than in 2021, followed by expenditure to improve environmental protection and reduce labour taxes.

Continuing a historic trend, the MSEs reported lower labour taxes would promote growth (at 23 percent), focusing particularly on reducing the tax burden on the lowest earners.

PUBLIC INVESTMENT TO PROMOTE GROWTH



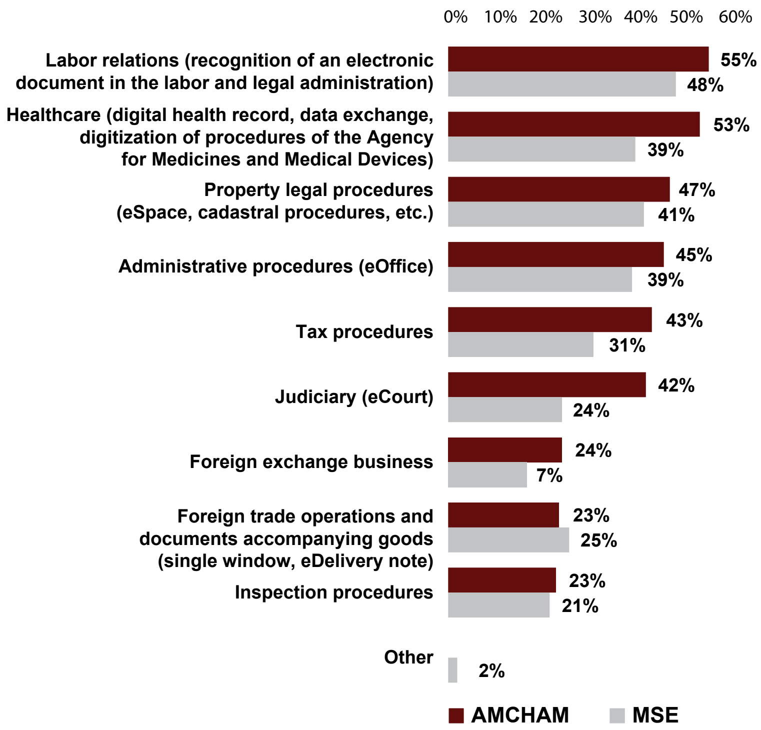
VIII
INVESTMENT PRIORITIES AND POLICIES FOR WEATHERING THE CRISIS

DIGITAL TRANSFORMATION

Although progress has undoubtedly been made in this area, AmCham members reported a great deal of room to significantly improve the business environment by digitalising public administration. In this context, three areas that AmCham companies and MSEs warranted continued efforts were labour procedures (55 percent), healthcare (53 percent), and property transactions (47 percent). The respondents also believed administrative and tax procedures and the judiciary would benefit from continued digitalisation.

According to respondents chosen for qualitative interviews, labour procedures could be improved by **broadening options for electronic delivery and electronic signing of general and individual documents regulating labour rights, obligations, and duties**, such as decisions on paid, unpaid, and maternity leave, and the like. The respondents also commonly cited the need to introduce **single electronic medical records and digitalise and streamline ALIMS procedures**. Lastly, also frequently mentioned was **eProstor** (‘e-Space’), the digitised register of spatial and urban plans, as was the need to complete **digitalisation of cadastre procedures**.

DIGITAL TRANSFORMATION: REFORM DIRECTIONS



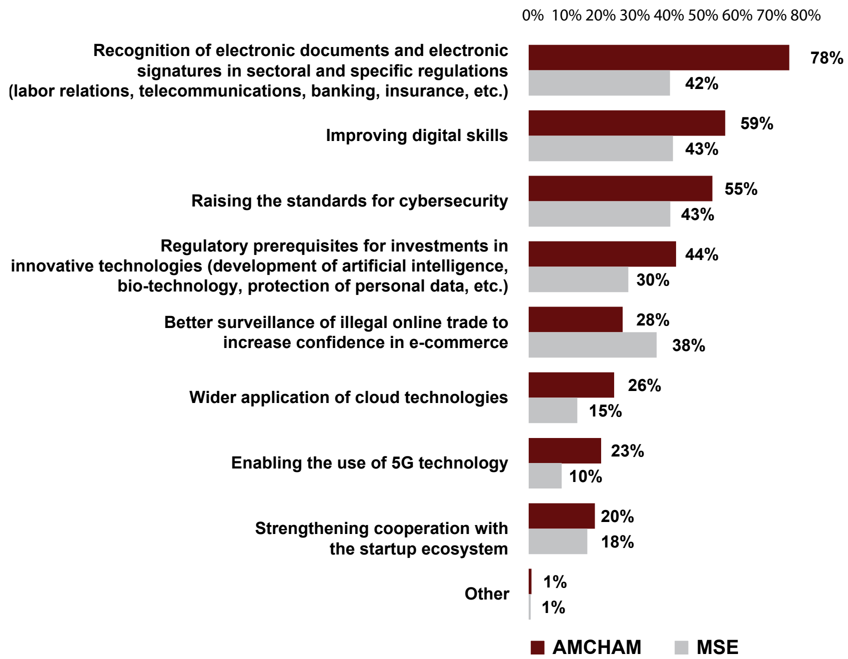
Both AmCham members and MSEs cited recognition of electronic documentation, improvement of digital skills, and enhancing cybersecurity standards as technology priorities.

Although the Law on Electronic Document, Electronic Identification and Trust Services in Electronic Business stipulates **electronic and physical documents are equally valid**, the respondents felt it was necessary to ensure full compliance with this piece of legislation by all government authorities and institutions. In addition, to fully digitalise public administration, **electronic registry offices (ePisarnica) and archives (eArhiva) ought to be rolled out across all institutions** to allow the authorities to receive, produce, and store electronic documents and permit service users to access their case files. Additionally, **digital identity (electronic signature) should be made more user-friendly** so it can be used by the broadest range of people.

Cybersecurity standards should be complied with consistently to **deliver security in using online services and databases**, and current adherence levels ought to be verified.

Lastly, the respondents felt that Serbia was lagging in terms of the digital skills of its general population even though it may be successful in training engineering talents. AmCham member companies believed the country ought to **strengthen the digital skills environment for all age groups, modernise of the education system (in particular higher education), promote use of mobile and web-based technologies, tools, and services, and support reskilling programmes**.

DIGITAL BUSINESS: PRIORITY REFORMS



GREEN AGENDA

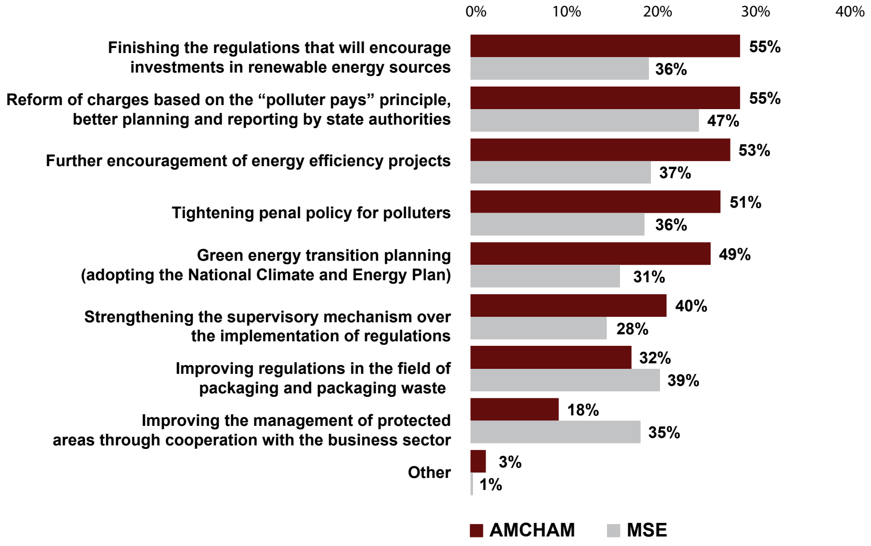
Environmental issues and the green energy transition are issues of major social and political importance, as revealed by the views of AmCham members, which have ranked the Green Agenda in high third place amongst their reform priorities. The respondents were conscious of the pollution affecting Serbia in making this choice. That being said, increasing numbers of companies have been adopting ambitious policies to reduce their carbon footprint and join the circular economy, boosting demand for green energy.

Similarly, 27 percent of AmCham members who felt public investment ought to be directed primarily into modernising energy infrastructure and protecting the environment.

More than one-half of AmCham companies felt reforms to implement the Green Agenda should include completing the regulatory environment for investing in renewables (55 percent), reforming levies to introduce the 'polluter pays' principle and enhancing planning and reporting by government bodies (55 percent), further encouragement of energy efficiency projects (53%) and tightening penalties for environmental offences (51 percent).

By contrast, the MSEs primarily cited reforms to 'polluter pays' fees and charges (47 percent) and improvement to packaging and packaging waste rules (39 percent).

GREEN AGENDA: PRIORITY REFORMS



AmCham members and MSE respondents reported that, in addition to ensuring security of energy supply given the ongoing crisis, **the regulatory framework for attracting investment in the renewables sector** also needed to be completed as this was the key precondition to diversifying energy sources and delivering an optimal energy mix, which should in the medium term help stabilise energy supply and lessen price volatility.

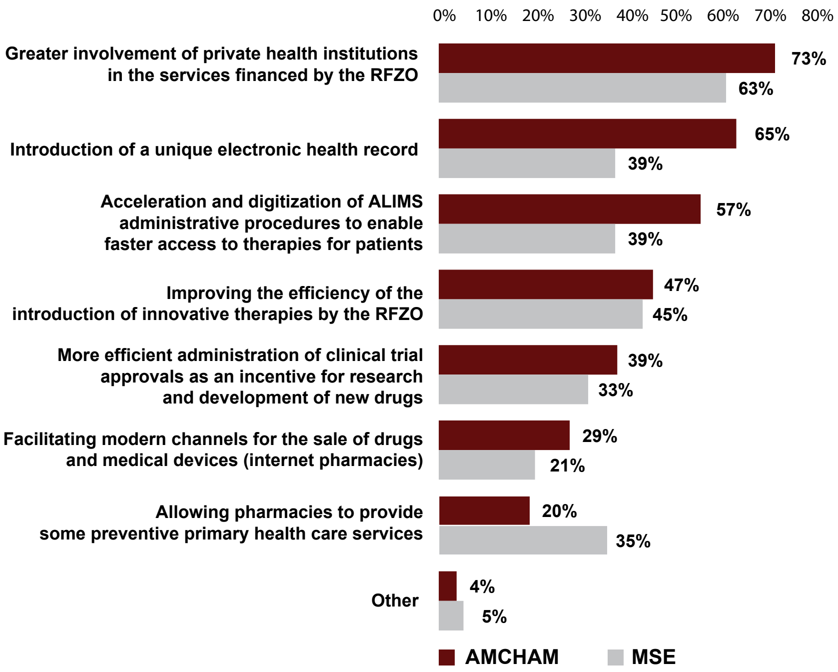
Reform to the environmental levies system to introduce the **'polluter pays' principle** was the second priority for AmCham members (55 percent). The respondents felt these fees and charges ought to be designed to induce polluters to reduce emissions and choose more environmentally friendly technologies and processes. These outcomes were possible only if the levies were linked to the pollution produced, so the respondents were interested in seeing reforms to quasi-fiscal levies not contingent on emissions, such as the environmental protection and improvement fee and the protected areas fee.

Strengthening the regulatory oversight mechanism and stricter penalties were also high on the list of priorities for both AmCham members and MSEs, with the latter viewing the issue as their top priority for this area. Here, efforts should focus on clarifying the powers, roles, and responsibilities of all stakeholders and building capacity of inspection bodies.

HEALTHCARE

Both AmCham members and MSE respondents agreed that healthcare reform ought to primarily focus on greater integration of private providers in the delivery of services funded by the National Health Insurance Fund (HIF) (at 73 and 63 percent, respectively). Ranked second for AmCham members was the introduction of single electronic medical records (65 percent) and facilitation and digitalisation of procedures mandated by ALIMS to permit treatments to become available more quickly (57 percent). The MSEs emphasised the significance of faster introduction of innovative treatments by the HIF (45 percent).

HEALTHCARE: REFORM DIRECTIONS



The respondents felt **private healthcare** capacities were under-utilised and believed greater involvement of private healthcare providers would reduce waiting times in the public health service.

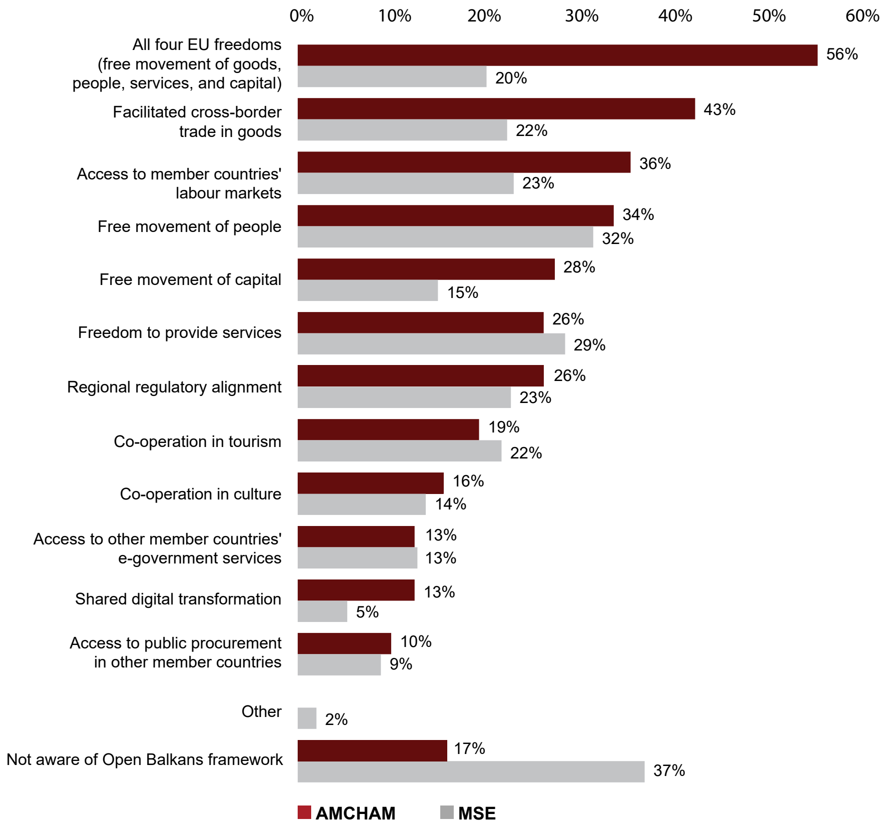
Experiences with the Covid-19 pandemic has lent additional weight to calls for enhancing healthcare services and digitalising healthcare. A major milestone in this regard would be the **introduction of the electronic medical record** to serve as the single repository of patient information captured by both the public health service and private providers. Online access to medical information would also allow the private sector to become more efficient and deliver higher quality services, as well as eliminating overlaps, reducing administrative burdens, and reducing overall costs of healthcare delivery.

The respondents also noted that the Agency for Medicines and Medical Devices (ALIMS), Serbia's pharmaceuticals regulator, has for ten years been exceeding statutory time limits for granting marketing authorisations and approving promotional materials for medicines. These delays have been hindering the development of new treatments, causing supply disturbances, and generating additional costs due to failed public tenders. One recommendation for overcoming these issues is to **streamline and enhance procedures mandated by ALIMS by amending the Medicines Law and subsequently fully digitalising these procedures**.

REGIONAL ECONOMIC CO-OPERATION

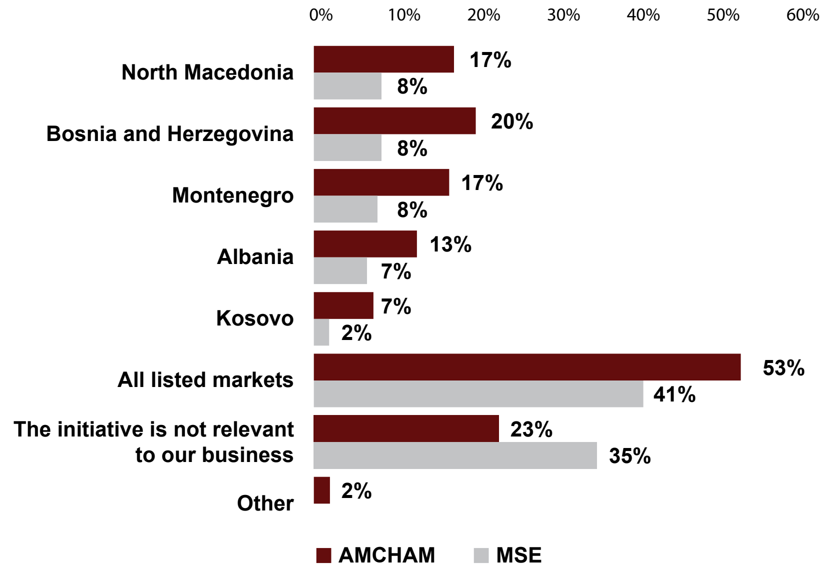
AmCham members have recognised the importance of the Open Balkans initiative, with more than one-half (56 percent) seeing its greatest benefit in ensuring all ‘four freedoms’, namely the free movement of people, capital, goods, and services. The MSEs were less well aware of the initiative, and felt its primary advantages were free movement of people (32 percent) and freedom to provide services (29 percent).

KEY FEATURES OF THE OPEN BALKANS INITIATIVE



Over one-half of all AmCham members (53 percent) believed Open Balkans ought to cover all six of the region’s economies, namely North Macedonia, Bosnia and Herzegovina, Montenegro, Albania, and Kosovo, a view shared by 41 percent of the MSE population.

MARKET COVERAGE: OPEN BALKANS INITIATIVE



The majority of both AmCham members and MSEs felt they lacked sufficient information about the scope of Open Balkans and the procedures that have already been facilitated. The lack of comprehensive official information and reliance on media coverage of the initiative were reported as issues by both AmCham firms and the MSEs.

The respondents believed the success of Open Balkans depended on it delivering tangible and measurable benefits to companies, continued focus on improvements in implementing agreements, continuing efforts to deepen economic co-operation in new areas, and simple and easily accessible mechanisms to resolve challenges with implementation in all countries.

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