NALED

Annual Report
REGULATORY ENVIRONMENT
QUALITY IN SERBIA 2019/20

Regulatory Index of Serbia – RIS

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INTRODUCTION

Information on regulations and regulatory changes is crucial for businesses, as they shape the rules of the market. Creating a business environment favorable for economic development implies fulfilling several important preconditions, the key among them being: predictability and stable economic policy without frequent and sudden changes, greater legal security reflected in consistent application of laws, efficient administration and transparent communication with state institutions. It is for this reason that NALED formulated the Regulatory Index of Serbia – RIS, with the aim to provide insight to its members and the general public about the manner and quality of enactment and implementation of regulations in Serbia.

The report is based on three types of data sources.
- The first data source is the objective data that make up the RIS index. The index consists of 15 different indicators, each monitoring a particular aspect of preparation, availability or implementation of regulations governing the economic environment. These indicators are publicly available, verifiable and individually relatively easy to measure.

- Another source of data used in this report is the survey of perception of businesses, civil sector and public administration about the development level of public-private dialogue in Serbia and the manner of preparation and adoption of regulations. The mentioned survey was conducted by NALED, with the support of the USAID PPDG project. The research provides a subjective assessment by relevant participants in the "regulatory market", and allows us to get a broader picture and better understand some of RIS indicators.

- The third source used in this report involves international indicators – the Doing Business list, i.e. the Ease of Doing Business Report prepared by the World Bank, as well as the Global Competitiveness Index prepared by the World Economic Forum. The main goal of using these indices is to provide another angle in observing the regulatory environment of Serbia, which enables an easy and methodologically correct comparison with relevant countries.

EXECUTIVE SUMMARY

The total value of RIS for 2019/20 amounts to 49 out of a maximum of 100 points, which is slightly above the average seen in the previous years[1], but still bearly half way through to creating a stable and predictable regulatory environment that could stimulate economic development.

Below are the most important results of the regulatory activity in 2019:

- **The largest decline in 2019 compared to the previous report was recorded in the quality of drafting regulations**, having in mind that only 65.5% of adopted laws were accompanied by an impact analysis, which is a 25 percentage points lower score than in 2016. In addition, only 16% of the laws had a complete impact analysis before their adoption, and only 17.5% of the laws contained a complete cost impact analysis.
- Most laws that significantly affect the business environment were passed by the Ministry of Finance (31), **The regulations drafted by the Ministry of Trade had the best quality (90% of the laws invovled an impact analysis before adoption),** while the Ministry of Justice records the lowest values of this index with only 10% of the laws containing a complete impact analysis.
- With overall value of 64/100, the public approach in drafting and the adoption of regulations is the second best rated component. **The number of laws adopted by urgent procedure has been reduced from 60% in 2016 to 25.5%** in 2019. The legislative activities plan stipulated the adoption of a total of 269 laws in 2019, out of which only 59 (or 22%) have been passed. On the other hand, in addition to the mentioned 59 planned laws, another 120 "unplanned" laws have been passed (i.e. 67% of the adopted laws were not planned).
- **The number of public hearings has been reduced, which are now conducted in 60% of cases**, which is as much as 30 percentage points less than in 2016 (90%). Every obsereved law has changed once in two years on average.

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[1] The average value 2013-2016 was 47.5

- **As many as 66% of the private sector representatives believe they do not receive the draft laws on time.** In addition, a survey regarding public-private dialogue shows that both the private and public sectors agree that the businesses are involved too late in the process of drafting regulations, often when they have already been prepared, and just before the adoptation when it is possible only to cosmetically change the regulation.

- The component of timely law implementation, although recording the biggest improvement compared to the previous report, leaves a lot of room for improvement. In 2019, it was planned to pass 100 bylaws that regulate in more detail the provisions of 21 laws. As of 30 May 2020, only 40 bylaws were adopted, which is actually a significantly better result than in 2016, when the indicator reached the value of 18.8%. Out of 40 bylaws, only 10% were adopted on time. **The average delay of the adopted bylaws in 2019 reached an incredible number of 826 days.**

- Observing the costs related to the implementation of procedures, it can be concluded that there were no significant changes in 2019, however **the share of the 20 largest non-tax levies in GDP increased from 1.74% to 2.73% of GDP**, i.e. from about "only" 72 billion to 148 billion dinars.

- Availability of information is the best rated RIS component, with a value of 74/100. Citizens and businesses can quickly and easily find key information on most ministry websites (88% of ministries), but also receive needed information directly from ministries within the deadline, by email or by requesting access to information of public importance (in 61% of cases). **The Ministry of Finance and the Ministry of European Integration record the highest values of information availability indicators** (100%), while the Ministry of Health and the Ministry of Economy have the indicator values below 50%.

- While the Doing Business Index recorded an improvement in Serbia's position from 48th to 44th place in 2019, the Global Competitiveness Index recorded a 7-rank decline even though the index value remained unchanged at 60.9.

I REGULATORY INDEX OF SERBIA – RIS 2019/20

Regulatory Index of Serbia for 2019/20 reached 49 out of a maximum of 100 points. This shows that the ministries meet barely half of the criteria needed to create a stable, predictable regulatory environment that can stimulate economic development. Although the index value is slightly above the previous years' average, the index value fell by one percentage point compared to the previous report from 2017.
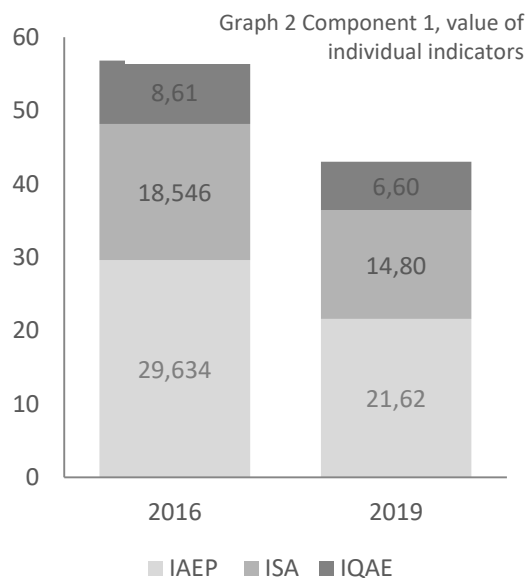
Graph 1 Value of RIS components 2019/20
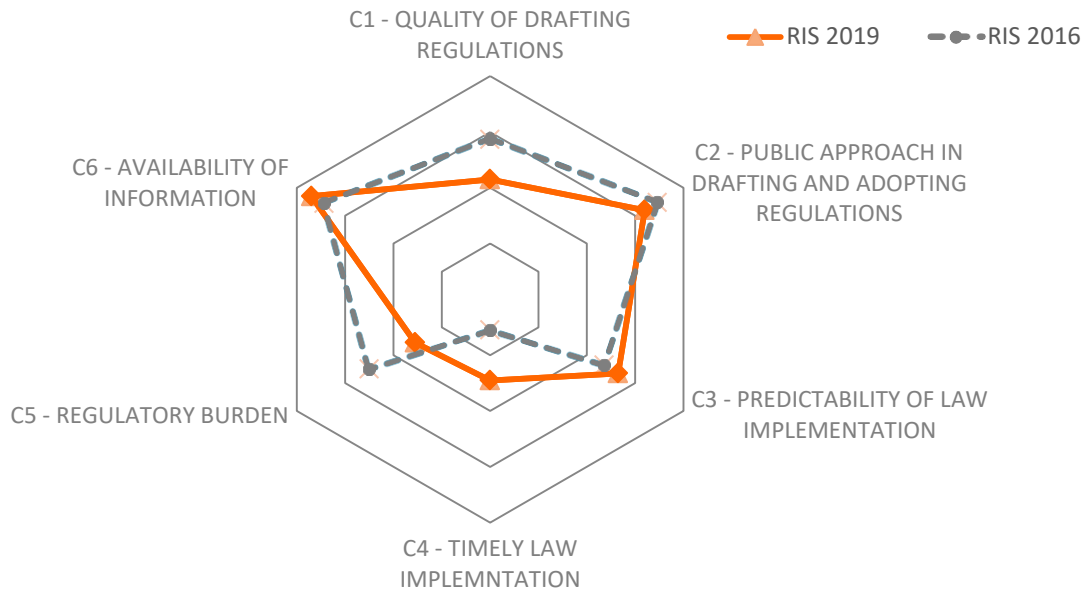
REGULATORY INDEX OF SERBIA - RIS	VALUE
COMPONENT 1 - QUALITY OF DRAFTING REGULATIONS	**43**
Indicator of impact analysis enclosed with the regulation (IAEP)	65.5
Indicator of evaluation of regulatory impact analysis according to PPS (ISA)	44.86
Indicator of quantification of regulatory effects (IQUAE)	19.81
COMPONENT 2 – PUBLIC APPROACH IN DRAFTING AND ADOPTING REGULATIONS	**64**
Indicator of representation of public hearings and consultations (IJR)	59.9
Indicator of availability of draft laws (IDNZ)	60.23
Indicator of representation of urgent procedure (IHP)	73.86
COMPONENT 3 - PREDICTABILITY OF LAW IMPLEMENTATION	**53**
Indicator of plan of legislative activities (IPZA)	21.93
Indicator of predictability of the regulatory framework (IPRO)	66.54
Indicator of frequency of law amendments (IIDZ)	71.07
COMPONENT 4 – TIMELY LAW IMPLEMENTATION	**29**
Indicator of adoption of bylaws (IUPA)	40.00
Indicator of delay in bylaws adoption (IKPA)	18.07
COMPONENT 5 - REGULATORY BURDEN	**31**
Indicator of administrative costs (IAT)	62.00
Indicator of share of non-tax levies in total budget revenues (IPN)	0.00
COMPONENT 6 - AVAILABILITY OF INFORMATION	**74**
Indicator 1: Private-public dialogue development	61
Indicator 2: Website informativeness	88
RIS - TOTAL VALUE	**49**

Component 1: Quality of drafting regulations

The methodology of drafting regulations, which implies consideration of all the potential effects of a new regulation or changes to an existing regulation, is a key prerequisite for a good-quality regulatory solution. In this regard, RIS monitors whether and in what quality the draft regulations contain an analysis of the effects of regulations. Regulatory impact analysis (RIA) is a method that analyzes the possible effects of new or amendments to existing regulations. This method involves a process based on a series of steps that systematically provide an answer to the question of whether new regulations or amendments to existing regulations will have the desired effect. This process identifies the potential key and side effects that accompany the proposed changes and, where possible, quantifies the probable costs of implementing and complying with the proposed regulations borne by individuals and businesses, as well as the costs of implementing new or amended regulations by government agencies, and it ultimately enables the adoption of those regulations where the benefits outweigh the costs.

Graph 2 Component 1, value of individual indicators

	2016	2019
IQAE	8,61	6,60
ISA	18,546	14,80
IAEP	29,634	21,62

Due to all of the above, it is very important to observe which share of laws is actually accompanied by a regulatory impact analysis. Based on the analysis of laws adopted by the Assembly in 2019, NALED determined that out of 90 laws that had a direct or indirect impact on the economy, 59 laws fulfilled the formal requirement to involve an impact analysis as part of the draft law rationale. **In other words, in 2019, 65.5% of adopted laws had a regulatory impact analysis.** However, if we look at the same indicator in the previous report, which referred to 2016, at the time amounting to as much as 89%, we conclude that this share has decreased by almost 25 percentage points.

When observing the content of the analysis, in a large number of cases, even when the analysis formally exists, the quality of that analysis is questionable. As of December 31, 2019, **the Public Policy Secretariat of the Republic of Serbia (further in text: PPS) has assessed 108 laws passed in 2019, which were submitted for opinion, of which only 17 draft laws, i.e. 16% contained a complete impact analysis, while 48 (i.e. 44.4%) contained a partial analysis**. For 38 draft laws it was assessed that an impact analysis was not required, while 5 draft laws (i.e. 4.6%) did not contain a formal report on the conducted analysis, although the nature of the regulatory framework change required an analysis.

NALED went a step further and conducted an "analysis of analyzes", to determine whether the impact analyzes contain, and what is the quality of a cost estimate the law would have on the economic environment. Unfortunately, the results for 2019 are slightly worse than in the previous reporting year – out of 108 adopted laws, **19 drafts (i.e. only 17.5%) contained detailed cost-benefit assessments**, additional 8 laws contained a partial quantitative analysis, calculating at least the direct impacts of the law or involving any kind of caluclation, **while as many as 81 laws, i.e. one in three laws, did not contain any cost-benefit analysis.**

Applying the methodology of RIS calculation, the final value of the quality of drafting regulation index, is 43, and is significantly lower compared to the value from 2016 (57.3).

COMPONENT 1: QUALITY OF DRAFTING REGULATIONS	Indicator value	Value in the component
Regulatory Impact Analysis Indicator (IAEP)	65.5	21.63
Analysis content indicator (ISA)	44.86	14.80
Indicator of quantification of regulatory effects (IQAE)	19.81	6.54
	Total	**43**

The values of this index differ when looking at different ministries. The figures below present the data for the three ministries that have passed the most laws affecting the economic environment. In 2019, the Ministry of Finance passed the most laws that significantly affect

the business environment, while the best result in terms of the quality of drafting regulations was recorded by the Ministry of Trade with index value of 43.95.

On the other hand, the Ministry of Justice records the lowest index values, with a very small share of laws involving an impact analysis before the adoption of amendments.

Graph 3 Component 1 by ministries
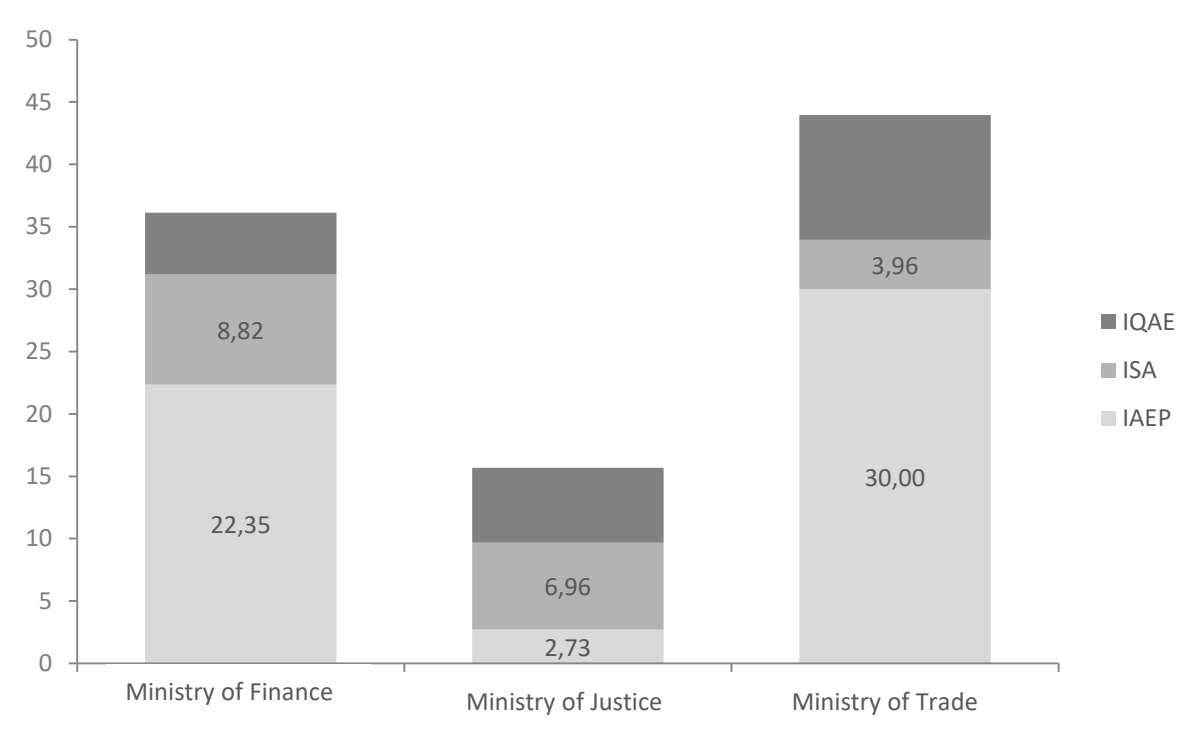
Component 2: Public approach in drafting and adopting regulations

In order for the regulations to meet the needs of businesses and the general public, the involvement of the public during the drafting of regulations is crucial. This is achieved by providing timely insight into the draft laws, organizing public discussions and other ways that allow stakeholders to take an active part. That is way this index seeks to "measure" the public approach in the preparation and adoption of regulations and it consists of three indicators.

The first indicator involved refers to public debates and public consultations during the process of drafting regulations. In the Republic of Serbia, it is envisaged that a public debate during the preparation of a law is obligatory if that law significantly changes the legal regime in one area or if it regulates issues of special interest to the public. Apart from the stated obligation, the issue of public debate is not regulated in detail, and unfortunately there are various attempts to "justify" why a public debate was not organized, and there are different interpretations of what a "significant change" of the law is. On the other hand, in some cases, although there is no official public debate, it actually takes place but in a different way (by organizing round tables, public gatherings, presentations, consultations with stakeholder representatives, etc.). Due to the mentioned shortcomings and the lack of official data, the following assumption was introduced when calculating this indicator: Consultations (formal public hearings or informal consultations) are required for all "new laws", while in case of law amendments, consultation is required for one in two amendments (i.e. for the half of the amendments).

Out of 90 laws and law amendments adopted in 2019 relevant to businesses, 29 cases involved a new law, while 61 cases referred to law amendments. If we apply the above mentioned principle, public debates should have been held for a total of 59 laws and law amendments in 2019. In practice, however, only 35 formal or informal public consultations took place. More specifically, out of 29 new laws, in 19 cases, i.e. in 65%, a formal or informal public debate was conducted. Also, out of 61 law amendments, a public debate was conducted in 16 cases, i.e. in 53% of cases (having in mind our assumption that a half of amendments require a public debate).

In total, the indicator value reached 59.9 points, which means that **a public debate was held for an average of 60% cases, while in about 40% of cases a public hearing was not organzed in any form, even when necessary.**

As for the indicator of the availability of draft laws before their adoption, out of 90 laws and law amendments in 2019, the data show that 53 draft laws and draft laws were available to the public. Thus, the draft amendments / laws were publicly available before adoption in 60% of cases, mainly being published on the websites of the competent ministries.

It should be noted that the data on public debates regarding laws and law amendments, as well as data on the availability of draft laws, were collected retroactively (February 2020), so the data presented should be taken with a certain dose of reserve given that there is a possibility that public debates had been organized, but that information about their organization was deleted from the websites of competent authorities.

The public character of the preparation and adoption of regulations is significantly disturbed in case of urgent procedure, when organizing a public debate is not mandatory. Out of 90 laws that directly and indirectly affect the business environment, **urgent procedure was applied in 23 cases, in other words, in 25.5% when a new law or law amendments were adopted. In fact, this represents a significantly better result than in 2016, when as much as 60% of laws were passed through urgent procedure.**

Graph Component 4, value of individual indicators

	2016	2019
IHP	8,94	24,38
IDNZ	29,67	19,88
IJR	30,13	19,76
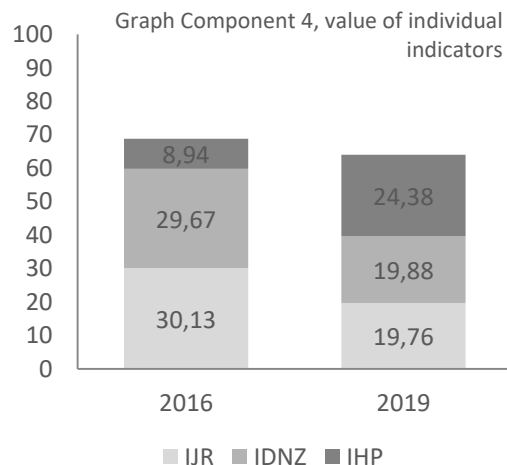
Based on the three obtained indicators, the Index of public approach in drafting and adopting regulations was 64. In the previous report, which refers to 2016, this index was 69, which means that the value has not changed significantly, although it is somewhat lower.

COMPONENT 2: PUBLIC APPROACH IN DRAFTING AND ADOPTING REGULATIONS	Indicator value	Indicator value
Indicator of public debates and consultations (IJR)	59.9	19.75
Indicator of availability of draft laws (IDNZ)	60.23	19.88
Urgent procedure indicator (IHP)	73.86	24.38
	Total	64

When we observe indicator values by individual ministries, the Ministry of Trade and the Ministry of Justice stand out with higher values. The Ministry of Trade, Tourism and Telecommunications also stands out by the share of held public debates in the total number, bearing in mind that even 93% of laws and law amendments involved at least some kind of public consultation, and additionally, no laws were passed through urgent procedure.

Graph 5 Component 2 by ministries

Component 3: Predictability of law implementation

In order for business entities to be able to make rational decisions regarding their business operations, it is important that the economic environment is stable and that changes related to its regulation are predictable so that entities can act based on these changes. The index of predictability of the law implementation shows how often the "rules of the game" change in practice, and it consists of three indicators.

The first used indicator measures the fulfillment of the plan of legislative activities in the observed year. The aim of this indicator is to assess the extent to which the Government / ministries can properly anticipate and implement the set plans, as well as to assess the extent to which the legislative action plan can serve the businesses in planning their activities. The plan envisages the adoption of a total of 269 laws in 2019, noting that this value includes amendments to existing laws. In 2019, 59 (or 22%) of the planned 269 laws and law amendments were passed, which is not an enviable result, but it actually represents an improvement compared to previous report for 2016, by about 8 pp.

In order to get an even better picture when it comes to the predictability of law implementation, in addition to the previous indicator, we took into account the adopted laws that were not foreseen by the legislative action plan. In 2019, along with the 59 planned and adopted laws, another 120 laws were adopted that were not previously planned. **So, out of a total of 179 adopted laws, as many as 67% were not planned, indicating that the ministries cannot adequately plan changes for the following year**, thus contributing to an unpredictable environment for businesses. Taking into account all 179 adopted laws, the value of this indicator is 66.54 (179/269).

Graph 6 Component 3, value of individual indicators
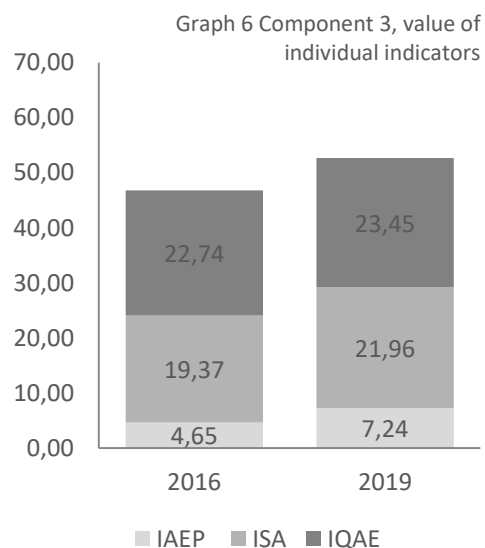
The third indicator within this component is the indicator of the frequency of law amendments.

For the purposes of analysis and evaluation of this indicator, we monitored 6 ministries: Ministry of Finance, Ministry of Construction, Transport and Infrastructure, Ministry of Economy, Ministry of Labor, Employment and Social Policy, Ministry of Mining and Energy and Ministry of Trade, Tourism and Telecommunications, since their jurisdictions have the greatest impact on the economy. For each ministry, we monitored amendments to 5 laws (i.e. a total of 30) which significantly affect the business environment. In total, these 30 laws have changed 80 times in the past five years (i.e. the value of this indicator is 71.07 by applying the set RIS methodology). **This actually means that each of the laws in the sample changed 2.7 times in 5 years on average, or in other words, each law changed on average every two years.**

The total observed value of Predictibility of Law Implementation Index is 53, which is actually an improvement of almost 6 percentage points compared to the previous report for 2016.

COMPONENT 3: PREDICTABILITY OF LAW IMPLEMENTATION	Indicator value	Value in the component
Indicator of the fulfillment of the plan of legislative activities (IFPLA)	21.93	7.31
Predictability indicator of the regulatory framework (PIRF)	66.54	21.96
Indicator of the frequency of law amendments (IFLA)	71.07	23.45
	Total	**53**

Component 4: Timely law implementation

In order for a law to be properly implemented, all the necessary bylaws need to be adopted as well. However, in practice, bylaws are often not adopted within the prescribed deadlines, and new laws cannot be applied operationally. Given that the old laws cease to apply at the same time, the legal uncertainty created by such situations has significant economic consequences. Since 2010, NALED has been monitoring the extent to which the implementation of laws is enabled with timely adoption of bylaws through the Bylaw Barometer, so the Barometer results have been used in this report.

Based on a detailed analysis of the legal provisions of 21 selected laws, a list was formed including 379 bylaws (regulations, ordinances, decisions) which were (or still are) meant to be to adopted in order to ensure law enforcement and avoid arbitrariness in implementation. Once all regulations scheduled for adoption in 2020 (5) and those already adopted by the beginning of 2019 (188) were excluded, the total number of acts remaining for adoption during 2019 has been reduced to 186 of which 100 were planned to be adopted in 2019, and the remaining 86 acts actually involved acts that were not adopted in previous years (though they should have been).

Graph 7 Component 4, value of individual indicators
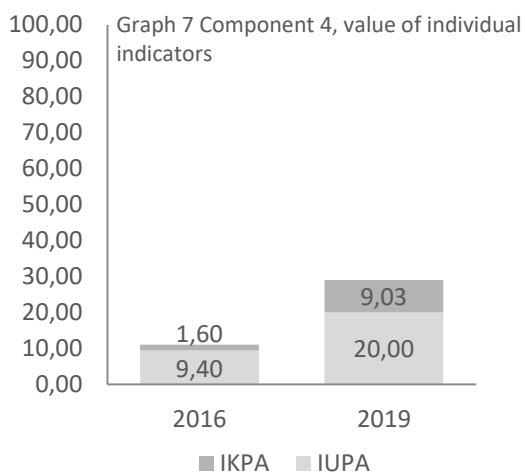
The component of timely law implementation consists of two indicators. The first is the Indicator of adopted bylaws, which represents the share of adopted bylaws in the total number of bylaws planned for adoption. In 2019, there were 100 bylaws planned for adoption, that would regulate in more detail the provisions of 21 laws. However, as of the date of publication of this report (June 2020), only 40 bylaws have been adopted, i.e. only 40%. However, this is actually an improvement compared to 2016, when the indicator value was 18.8.

The second indicator - the delay in bylaws, took into account the deadlines for adoption but with some mitigating assumptions. Namely, a delay of 30 days is not the same if the ministry has a period of 3 months or one year for the adoption of bylaws. Therefore, with this indicator we are trying to somewhat "justify" the delays in the adoption of some bylaws where delays might be caused by reasonable, unforeseen circumstances. Unfortunately, the delays were so long that the positive perspective could not improve the obtained result.

The average delay of the adopted bylaws in 2019 reached an incredible number of 826 days. Out of 40 bylaws adopted in 2019, only 4 (10%) were adopted within the deadline, of which 3 were adopted one day before the deadline. Also, 16 acts were delayed by 3 months or less according to the data from the sample. The remaining 20 bylaws were more than 3 months late, and as many as 60 bylaws were not adopted.

COMPONENT 4: TIMELY LAW IMPLEMENTATION	Indicator value	Value in the component
Indicator of adopted bylaws (IKPA)	40.00	20.00
Delay indicator of bylaws (IUPA)	18.07	9.03
	Total	**29**

The total value of Timely Law Implementation Index is 29, which, although not a particularly positive value, actually represents an improvement over the previous report for 2016 when the indicator value was only 11.

Component 5: Regulatory burden

In order to simplify the daily business operations, as well as to reduce the burden on business entities, it is important to monitor the level of administrative burden the businesses experience in terms of the costs and time needed to finalize all procedures, standing either as a condition for doing business, or distracting businesses from doing their work. Additionally, along with the taxes and contributions that are being paid, it is important to monitor the level of non-tax levies, bearing in mind that businesses are often not sure why and to whom they are being paid. These two indicators make part of the Regulatory Burden Index.

The first indicator refers to the share of the 20 largest non-tax levies in GDP. Fees, charges and other non-tax levies bring a great burden on businesses, and the way they are prescribed is often uncoordinated between the local and national levels, so businesses sometimes end up being charged twice for the same public service. Based on a study of data obtained from the Treasury Administration, the total amount of the 20 largest non-tax levies is 147.78 billion dinars, which is actually twice as much than in 2016, when this amount was "only" 72.93 billion dinars.

In comparison to GDP expressed in current prices for 2019, the share of the 20 largest non-tax liabilities is 2.73%, and according to the methodology, if the share in GDP is greather than 2.5%, the value of this indicator is equal to zero.

The second indicator refers to the share of administrative expenditures in GDP. The methodology implies that this indicator is measured in the study performed by USAID Business Enabling Project. In the last measurement from 2016, based on the calculation of administrative costs for around 200 most important administrative procedures using the standard cost method, it was determined that the administrative burden in Serbia is between 2.88 and 2.40% of GDP. Unfortunately, the methodology of the USAID survey has been changed so that it does not include the assessment of administrative burden, which makes it impossible for us to make a detailed and accurate assessment of the share of administrative burden in GDP. However, USAID research includes the perception of businesses on whether the related costs in terms of money and time have increased or decreased.

Only 20% of businesses believe that the burden has decreased in 2019 compared to previous years. Therefore, when calculating this indicator, we take the assumption that the share in GDP is still in the same range as in 2016, and we leave the value of the indicator at 62. In total, the value of Regulatory Burden Index is 31, which is a deterioration compared to the previous reporting period in 2016 by 19 percentage points.

COMPONENT 5: REGULATORY BURDEN	Indicator value	Value in the component
Indicator of the administrative costs share in GDP (IAC)	62.00	31.00
Indicator of the 20 largest non-tax levies share in GDP (INTL)	0.00	0.00
	Total	**31**

Component 6: Availability of information

In order for businesses to be able to comply with regulations, it is essential for them to easily and quickly obtain relevant information at any time, especially information regarding regulations. Therefore, one of the RIS components is precisely the availability of information. Due to the importance of the mentioned indicator, the methodology for monitoring has been expanded compared to previous reports, now also including the quality of communication of competent authorities with businesses, associations and citizens, as well as the quality of their web presentations.

COMPONENT 6: AVAILABILITY OF INFORMATION		PI Value	Indicator value
Indicator 1: Development of public-private dialogue	Direct communication - mystery shopper (II1)	60	
	Availability of information of public importance (II2)	67	61
	Direct communication with a known interlocutor (II3)	56	
Indicator 2: Website informativeness	Content quality (II4)	89	
	Transparency and availability of information (II5)	86	88
		Total	**74**

RIS measures the availability of information through two composite indicators. The first one is the Development of Public-Private Dialogue Indicator, which aims to monitor the quality of communication with known and unknown interlocutors, either through direct, informal, communication or formal communication involving a request for information of public importance, by using three individual indicators (II). The data show that the competent ministries are the most zealous in responding to requests for information of public

importance. **In 2020, 67% of ministries responded to request for information of public importance, which is an improvement compared to 2016, when the indicator was 62.5%.**

Unlike formal communication, ministries respond to a somewhat smaller percentage to informal, direct, email communication. Two separate requests were sent to the ministries, one with a very "simple" question sent to them by an unknown person (mystery shopper method), and one a bit more complicated request sent to them by an association with which they already cooperate. A slightly higher percentage of responses were collected when the request was simpler and did not require much time to respond (60% compared to 56%). On the other hand, if the requests are more "complicated" and not sent formaly, it is more likely to receive response if they are sent by an already known interlocutor who had already established communication with the ministry.
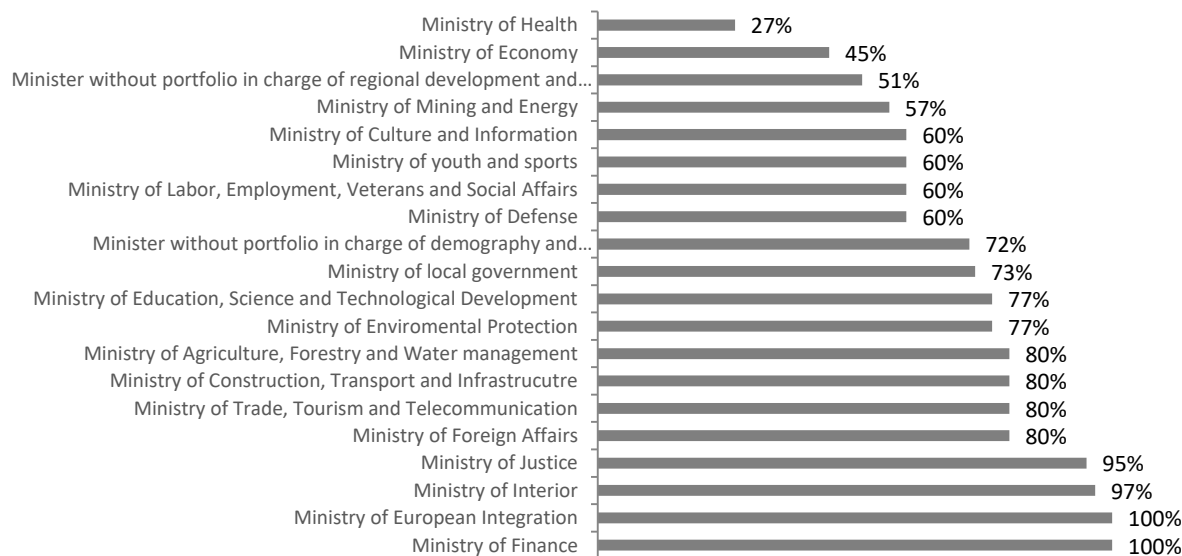
Second composite indicator is the Website informativeness, which aims to monitor the quality of ministries' web presentations, which has proven to be very important for "indirect" communication with citizens and businesses. This indicator, which consists of two individual indicators (PIs) is obtained by a detailed review of the key sections of the ministries' websites.

When we look at Content quality, the criteria for giving a "positive" assessment include: a) whether the presentation contains regulations that can be downloaded, b) whether a code of conduct or alternatively a ministry scheme is available, c) whether the presentation contains a list of current projects and d) whether adequate contact details (contact form, e-mail or telephone) are provided. **75% of ministries met all four conditions, showing that ministries do use their websites as a communication channel with citizens and businesses.** However, it is noted that some ministries do not have all the basic information on their websites, like the list of active projects (ministries of justice, economy, health), or sometimes even the relevant laws.

The second individual indicator is Transparency and availability of information. The mentioned indicator was added to the methodology this year, having in mind the constant remarks of citizens and businesses that the websites of institutions are inaccessible and difficult to search, which diminishes the informativeness of a certain site. Therefore, an indicator

monitors three key criteria: a) whether the most important content (regulations, contact, projects, work information) is easily available, b) whether the website is up to date and c) whether all links on the website are functional. A total of 75% of ministries met all three visibility requirements for websites. **The most common noted problem was that the most important contents such as regulations (or a link to regulations), contact forms or ministry schemes were not easily visible**, but can be found after a long search of the website or only after searching for keywords in the search bar. Looking at the ministries, the Ministry of Finance and the Ministry of European Integration are examples of positive practices for the mentioned indicators, while the Ministry of Health and the Ministry of Economy have the lowest values of indicators (below 50%).

Graph 8 Component 6, per ministries

Ministry	Value
Ministry of Health	27%
Ministry of Economy	45%
Minister without portfolio in charge of regional development and…	51%
Ministry of Mining and Energy	57%
Ministry of Culture and Information	60%
Ministry of youth and sports	60%
Ministry of Labor, Employment, Veterans and Social Affairs	60%
Ministry of Defense	60%
Minister without portfolio in charge of demography and…	72%
Ministry of local government	73%
Ministry of Education, Science and Technological Development	77%
Ministry of Enviromental Protection	77%
Ministry of Agriculture, Forestry and Water management	80%
Ministry of Construction, Transport and Infrastrucutre	80%
Ministry of Trade, Tourism and Telecommunication	80%
Ministry of Foreign Affairs	80%
Ministry of Justice	95%
Ministry of Interior	97%
Ministry of European Integration	100%
Ministry of Finance	100%

II PERCEPTION OF BUSINESSES ON THE STATE OF BUSINESS ENVIRONMENT

This part of the report will present the most important results from the survey on the development of public-private dialogue in Serbia conducted within the Public-Private Dialogue (hereinafter: PPD) for Growth Project, implemented by NALED with USAID support. The importance of public approach and dialogue in the process of preparation and adoption of regulations has already been emphasized, especially within component 2 of RIS, and the results of this research are meant to further qualitatively explain the conclusions of RIS, which may contribute to better understanding of some phenomena and problems in the economy.

The essence of the research conducted during 2018 and 2019 is to determine the current development level of public-private dialogue, the interest of relevant parties, the awareness level regarding the importance of PPD, but also the level of trust that (does not) exist between the public and private sectors in the process of dialogue. The research was conducted in cooperation with the IPSOS research agency on a sample of 255 representatives of businesses, 30 representatives of civil society organizations, i.e. associations, as well as 53 civil servants.

The research results show that **as many as 97% of business associations are interested in public-private dialogue. A slightly smaller % of businesses (63%) said the same,** which was not a surprise given that business associations are established for this purpose, representing the voice of individual businesses.

An equally important question is how much the private and civil sectors are really involved in creating regulations, i.e. how much they are involved in any type of PPD. **80% of associations and 18% of businesses (of which 9% through associations, 9% independently) in the past year were involved in any type of PPD**, which is actually a decrease compared to 2018. On the other hand, slightly more than a quarter of business representatives (26%) believe that the current level of business involvement in the regulatory process is satisfactory, while only 13% of associations think so, clearly showing that the way the businesses and the state communicate does not deliver good enough results.

The opinion of the public sector is different. As many as 62% of the public sector representatives think that the level of business involvement is satisfactory.

Graph 9. Do you receive draft regulations on time, private sector
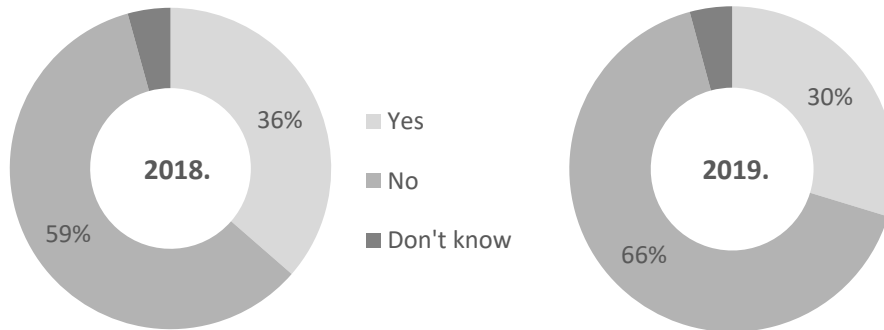

One of the basic preconditions for active involvement of businesses and the public is the availability of draft regulations in the preparation process. **As many as 66% of respondents from the private sector believe that they do not receive draft regulations in time** to have time to comment before adoption. We can compare this with the information that about 59% of new laws or law amendments had a publicly available draft prior to adoption. These results show that **even when a draft law was available, the private sector felt that it was not "visible" enough or was submitted too late, so that they could not substantially act on the provisions.** What is positive is that, compared to the previous yea, a higher share of respondents stated that information is more accessible on the ministries' websites and they are becoming an important medium for informing the public.

The collected data regarding the organization of public debate show that in slightly less than 60% of cases, a public debate was organized during the adoption of new or amendments to existing laws. The research performed by NALED and USAID further decribes this data, showing that the private sector is not satisfied with the way the public debates are conducted.

While they agree that the most useful way to comment is during roundtables and public debate events, **both the private and public sectors agree that might be too late to engage in dialogue at this point. Namely, the dialogue is usually organized when the regulation had already been prepared and just before its adoption,** when it is only possible to influence some small details. Both the public and private sectors agreed that the most efficient dialogue should actually take place in the drafting phase.

During the discussion, only a quarter of businesses and a fifth of associations believe that the public sector really wants to listen to and accept their proposals. In 2019, 87% of associations commented on draft regulations, while 66% of the public sector received comments on prepared regulations. While the public sector believes that suggestions were not adopted in only 3% of cases, as many as 43% of the private sector believe that their proposals are not taken into account.

Graph 10 Have comments on regulations sent by the private sector been accepted, 2019
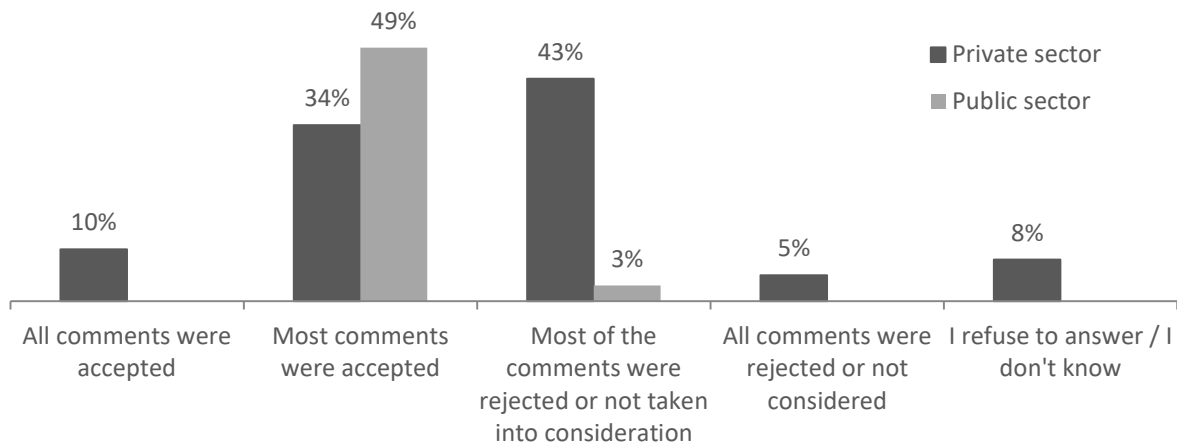
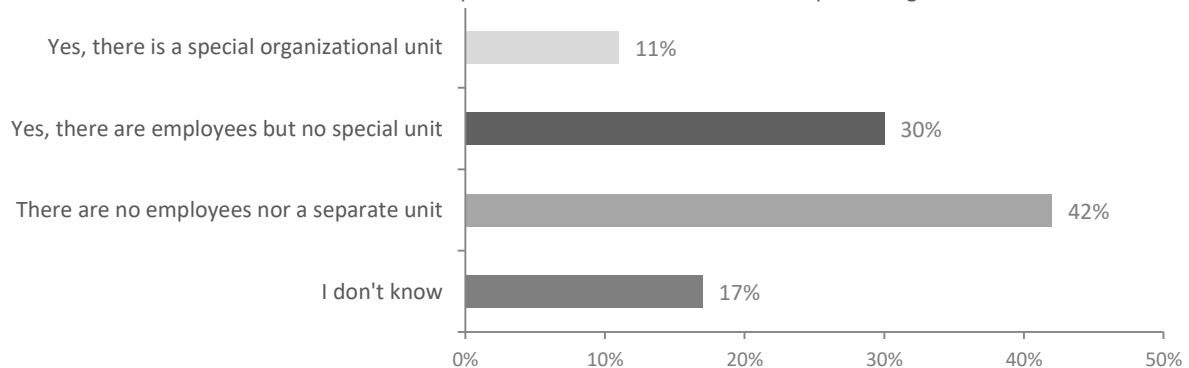Regarding the frequency of conducting regulatory impact analysis, 48% of the public sector representatives stated that they conduct impact analysis for all regulations, and an additional 17% stated that they conduct impact analysis for most regulations. On the other hand, 6% of public sector representatives stated that they never conduct an impact analysis when drafting regulation. In addition, 45% of institutions monitor the effects of all or most of regulations within their competence after their adoption through so-called ex post impact analysis.

Graph 11 Is the RIA being implemented, 2019

- Yes with all regulations
- Yes with most regulations
- Yes, but only with some regulations
- It's not being implemented
- I don't know

48% 18% 6% 11% 17%
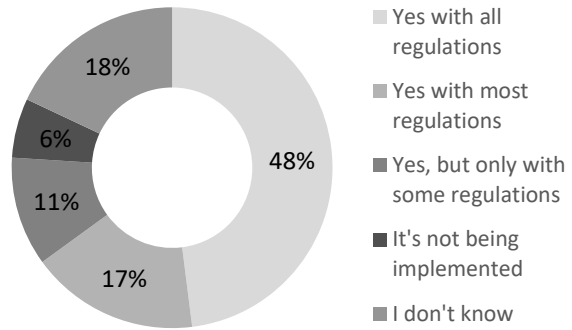
PPD could be significantly improved if the public sector had sufficient capacity for it. The research showed that only 11% of the public sector has a separate organizational unit that deals with communication and dialogue with businesses. Additionally, 30% of the public sector institutions have designated persons in charge of communication with businesses, while 42% do not have appointed persons nor a special organizational unit for this purpose.

Graph 12. Does the institution have a separate organizational unit for PPD

|	
Yes, there is a special organizational unit	11%
Yes, there are employees but no special unit	30%
There are no employees nor a separate unit	42%
I don't know	17%

III INTERNATIONAL INDICATORS OF THE BUSINESS ENVIRONMENT

In order to be able to compare Serbia with comparable countries, below we present Serbia's key results as measured through two international indicators - Doing Business Index and Global Competitiveness Index.

Doing Business Index

The Doing Business list measures the quality of the business environment using standardized case studies relating to companies operating in the capital of the observed country. The index contains 10 indicators that measure the costs and time to perform certain administrative procedures necessary to conduct operations, these indicators relate to: starting a business, property registration, dealing with construction permits, enforcing contracts, paying taxes, getting electricity, trading across borders, resolving insolvency, getting credit and protecting minority shareholders, i.e. it follows the entire "life" course of a company from its registration to its closure in one country.

Graph 13 Doing Business Index, total value
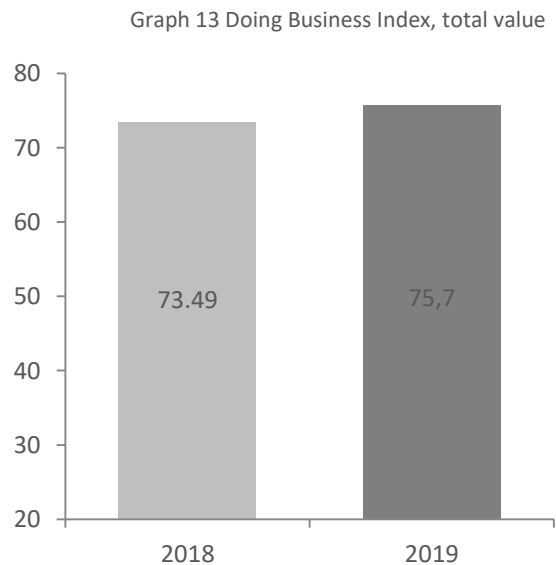
Based on the mentioned indicators, as of the end of 2019, the Republic of Serbia is ranked 44th out of 190 countries, recording a score of 75.7, which represents an improvement compared to 2018 by 4 positions.

Looking at the indicators individually, during 2019, Serbia made the most progress in the field of protection of minority shareholders, where it advanced as many as 46 places. A good result was also achieved in terms of getting electricity, with a 10-rank improvement compared to 2018. On the other hand, the poorest result was achieved in the area of starting a business, with a decline from the 40th to the 73rd position, which is a 33-rank decline compared to 2018.

INDICATORS	2019	2018	CHANGE	LINE INSTITUTION
Starting a business	73	40	-33	Ministry of Economy
Dealing with construction permits	9	11	2	Ministry of Construction, Transport and Infrastructure
Getting electricity	94	104	10	Ministry of Mining and Energy
Property registration	58	55	-3	Ministry of Construction, Transport and Infrastructure
Getting credit	67	60	-7	National Bank of Serbia
Protection of minority shareholders	37	83	46	Ministry of Economy
Paying taxes	85	79	-6	Ministry of Finance
Trading across borders	23	23	-	Ministry of Trade, Tourism and Telecommunications
Enforcing contracts	65	65	-	Ministry of Justice
Resolving insolvency	41	49	8	Ministry of Economy
Ease of doing business	**44**	**48**	**4**	**Government of Serbia**

Global Competitivness Index

The Global Competitiveness Index (GCI), published by the World Economic Forum (GCI), measures the quality and competitiveness of the business environment in 140 countries through 12 different indicators. According to this index, in 2019 Serbia was ranked 72nd with a result of 60.9. For the purposes of this report, we will focus on the first indicator i.e. the "GCI Public Institutions" indicator, because this indicator is based on similar variables as RIS, which makes these two indicators somewhat comparable.

Graph 14 Public Institutions index in GCI

	2018	2019
	51,6	52,5
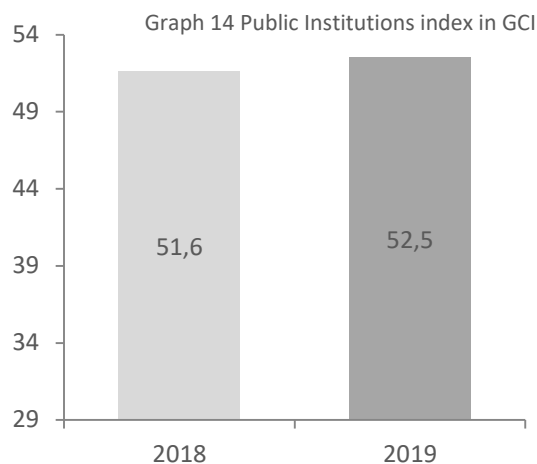
The institutional indicator of the Global Competitiveness Index assesses the security, property rights, social capital, transparency and ethics, public sector performance, future government orientation and corporate governance. Serbia is ranked 75th in this index with 52.5, which is an improvement since the previous year by one spot.

Although the first component of the Global Competitiveness Index did increase minimally, the overall index actually remained unchanged since the previous year at 60.9. However, most other countries managed to increase their average score, so with the same results, Serbia is actually ranked 7 places lower than in 2018.

INDICATOR	GCI 2019	LINE MINISTRY
Inflation -% annual change	1	Ministry of Finance
Degree of electrification (% of population)	2	Ministry of Construction, Transport and Infrastructure
Imports (% GDP)	34	Ministry of Trade, Tourism and Telecommunications
Research and development expenditure% of GDP	38	Ministry of Education, Science and Technological Development
The ratio of the amount of earnings of men and women	44	Ministry of Labor, Employment and Social Affairs
Degree of cluster development	104	Ministry of Economy
Property rights	106	Ministry of Construction, Transport and Infrastructure
Level of cooperation between employees and employers	107	Ministry of Labor, Employment and Social Affairs
Degree of market dominance	110	Ministry of Trade, Tourism and Telecommunications / Commission for Protection of Competition
Efficiency of maritime transport services	111	Ministry of Construction, Transport and Infrastructure

ANNEX: DETAILED RIS METHODOLOGY

The Regulatory Index of Serbia consists of 15 indicators that form six components: 1) Quality of drafting regulations, 2) Public approach in drafting and adopting regulations, 3) Predictability of law implementation, 4) Timely law implementation, 5) Regulatory burden and 6) Availability of information. Each of the six components contains two or three indicators that describe one segment of the regulatory process or aspect of the regulatory environment. The data sources used for RIS are the National Assembly of Serbia website and published draft laws, websites of ministries, the GoR, data obtained from the Public Policy Secretariat and the Treasury. Detailed methodology is shown in the tables below.

COMPONENT 1: QUALITY OF DRAFTING REGULATIONS

Indicators	Parameters	Formula
1. Impact analysis enclosed with the regulation	A - Number of laws and law amendments passed in the current year B - Number of laws and law amendments passed in the current year accompanied by impact analysis	B/A*100
2. Evaluation of regulatory impact analysis according to PPS	A - Number of draft laws and law amendments that reached the opinion of the PPS B - Number of draft laws and law amendments that reached the opinion of the PPS, accompanied by a full impact analysis C - Number of draft laws and law amendments that reached the opinion of the PPS, accompanied by a partial impact analysis	0.3*(C/A)*100+ (B/A)*100
3. Quantification of regulatory effects	A - Number of draft laws and law amendments that reached the opinion of the PPS B - Number of draft laws and law amendments that reached the opinion of the PPS, accompanied by a full cost-benefit assessment C - Number of draft laws and law amendments that reached the opinion of the PPS accompanied by a partial cost-benefit assessment	0.3*(C/A)*100+(B/A)*100

COMPONENT 2: PUBLIC APPROACH IN DRAFTING AND ADOPTING REGULATIONS

Indicators	Parameters	Formula
1. Representation of public hearings and consultations	A - Total number of adopted laws B - Total number of adopted law amendments C - Total number of public hearings held in relation to the number of adopted laws	0.5*(C/A)*100+0.5*(D/B/2)*100

		D - The total number of public hearings held in relation to the number of adopted law amendments	
2.	Availability of draft laws	A - Total number of laws and law amendments adopted in the current year B - The total number of available draft laws and law amendments on ministries' websites that were later adopted	B/A*100
3.	Representation of urgent procedure	A - The total number of laws and law amendments adopted in the current year B - Number of adopted laws and law amendments adopted in the current year through urgent procedure	100-B/A*100

COMPONENT 3: PREDICTABILITY OF LAW IMPLEMENTATION

Indicators		Parameters	Formula
1.	Plan of legislative activities	A - The total number of laws and law amendments envisaged for adoption in the current year B - Number of adopted laws and law amendments that were envisaged for adoption in the current year	B/A*100
2.	Predictability of the regulatory framework	A - The total number of laws and law amendments envisaged for adoption in the current year B – Total number of adopted laws and law amendments in the current year	B/A*100
3.	Frequency of law amendments	A – Monitoring changes to certain laws in the period of the previous five years: 0-2 changes = 100, 3 changes = 66, 4 changes = 33 i 5 ≤ changes = 0.	A

COMPONENT 4 – TIMELY LAW IMPLEMENTATION

Indicators		Parameters	Formula
1.	Adoption of bylaws	A - Number of bylaws that could be adopted in the current year B - Number of adopted bylaws in the current year	B/A*100
2.	Delay in bylaws	A - Number of bylaws that could be adopted in the current year B - Number of adopted bylaws within the legally prescribed deadline in the current year	B/A*100

COMPONENT 5: REGULATORY BURDEN

Indicators	Parameters	Formula
1. Administrative costs	A - Total% of administrative costs in GDP. Up to 2% = 100, and 5% and more = 0. In the range of 2% to 5%, a proportional value is taken.	A
2. Share of non-tax levies in total budget revenues	A – The total share of the 20 most generous non-tax levies in GDP. If the share is up to 0.5%, the indicator value is 100, while for the share of 2.5% and higher, the indicator value is 0. In the range from 0.5% to 2.5%, a proportional value is taken.	A

COMPONENT 6: AVAILABILITY OF INFORMATION

Indicators	Parameters	Formula
1. Development of public-private dialogue		
II1: Direct communication - mystery shopper	A - The total number of ministries to which the inquiry was sent by the economic entity B - Number of duly received answers from the ministries to the request of the economic entity	B/A*100
II2: Availability of information of public importance	A - The total number of ministries to which a request for access to information of public importance has been sent B - Number of duly received responses from ministries based on submitted requests	B/A*100
II3: Direct communication with a known interlocutor	A - The total number of ministries to which the application was sent by the business association B - Number of duly received responses from the ministries to the request of the business association	B/A*100
2. Website informativeness		
II4: Content quality	A - Total observed number of web presentations B - Number of positively rated web presentations	B/A*100
II5: Transparency and availability of information	A - Total observed number of web presentations B - Number of positively rated web presentations	B/A*100