

PRIVATE SECTOR DEVELOPMENT IN SERBIA AND COMPARISON WITH THE EU MEMBER STATES¹

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Abstract

This work aims to analyse the environment for the private sector development in Serbia. Since the relaunch of transitional reforms in 2001, building up the business environment which is conducive for the private sector growth has been one of the priorities of economic policy. Based on data from the World Bank's "Doing Business" publications, we can conclude that although improvement in the overall quality of the business environment in Serbia has been achieved, it has not been sustained, and several problematic issues maintain to be bottlenecks for more substantial progress. Serbia is lagging behind the EU average, and, in order to catch up, further increases in efficiency and reductions of overall costs of various administrative procedures are required.

Key words: *business environment, entrepreneurship, Serbia.*

INTRODUCTION

Despite the fact that since 2000 onwards many reforms have been undertaken in order to establish a business environment conducive to the performance of the private sector, the private sector in Serbia is not sufficiently developed. The EBRD [2010, p. 4] estimated that private sector contributed to the creation of only around 60% of Serbia's GDP in 2010, while more recent Labour Force Survey data show that only slightly above 50% of workers were employed in the private sector [Statistical Office of Serbia, 2012, p. 28].

Some of the issues that impede faster development of the private sector have been identified, addressed and resolved by the Serbian government over the years. In doing so, the government has been widely assisted by international organizations – the organizations within the World Bank group, EBRD, OECD Investment Compact – as well as by the European Commission and some of the EU Member States. They offer advice and recommendations, and also technical and financial assistance.

However, many challenges still lie ahead. Some barriers seem to be particularly persistent (e.g. obtaining construction permits). Even though some of these problematic issues have been dealt with, the design and/or implementation of corresponding measures have obviously not been adequate, as these areas remain to constrain the operations of businesses entities.

One must note that although activities and measures undertaken in order to develop the business friendly environment refer to the economy in general, they are of crucial importance for the performance of the private sector. This is mainly due to the fact that privately-owned companies, and particularly small and medium sized companies and entrepreneurs (SMEs), are dominant in the

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structure of the total number of companies in Serbia, and even more dominant in the total number of new establishments³.

According to the research conducted by the World Bank staff, the environment in which business entities conduct their activities is to a large extent influenced by business regulations and the institutions that are to enforce them⁴. In that regard, the World Bank has developed a methodology for measuring the quality of the business environment, which is essentially based on measuring business regulations. The series of “Doing Business” publications has become the most comprehensive and one of the most relevant sources for measuring quality of the business environment across the globe.

In the first part of this work the general direction and outcome of the reforms aimed at the private sector development is analysed. After that, an assessment of the level and dynamics of the quality of the business environment in Serbia is conducted, based on data from various “Doing Business” publications. In addition to that, Serbia’s position relative to the European Union has been examined. Finally, a summary of the main conclusions is presented.

OVERVIEW

The private sector development has been on top of the economic policy agenda throughout the 2000s in Serbia. The 2001 World Bank study [World Bank, 2001] stated that the enterprise sector was in a very poor condition, and that it was dominated by inefficient and indebted state-owned and socially-owned enterprises. On the other hand, SMEs, which dominated in the structure of private enterprises, were said to be “small and severely constrained by over regulation and an uneven playing field tilted towards the larger socially-owned companies” [World Bank, 2001, p. 4]. In order to stimulate the growth of the private sector, urgent reforms were advised to be undertaken, which included three areas: privatization of socially-owned enterprises, liberalisation of the business environment, focused on the enhancement of bureaucratic efficiency, and modification of the legal framework, to align it with the European standards.

Reforms in all of these areas were indeed undertaken, but with an uneven scope and limited success. The bottom line is that the importance of the private sector did increase, but it can be argued whether more could have been accomplished. Nowadays privately-owned enterprises prevail in the structure of GDP and employment, but their shares are not significantly higher than the shares of the public sector. According to the EBRD’s estimates, in 2001 the share of the private sector in GDP amounted to roughly 40%⁵ [EBRD, 2002, p. 20], whereas in 2010 it stood at around 60% [EBRD, 2010, p. 4]. The share of the private sector in the number of employed workers also increased over time, and it was in 2007 that for the first time it exceeded 50% [Statistical Office of Serbia, 2007, p. 102]. However, Ognjenović and Branković [2012, pp. 383] argue that the growth in the private sector employment has not been sufficient, given that “a significant number of socially- and state-owned enterprises are already privatized or closed down”. The occurrence of the global economic crisis in 2008 led to a decrease in the number of workers employed in the private sector, so that the corresponding share maintained to remain just slightly over 50% throughout the 2010-2012 period.

The issue of the private sector development in Serbia is as important today as it was a decade ago. The order of priorities may have somewhat changed (for example, majority of socially-owned enterprises has already been privatised), but the task of improving the business environment to become conducive

³ Due to the lack of publicly available data, it is not possible to provide data on the number and/or share of privately owned business entities in Serbia. However, available data on SMEs, which are predominantly in private ownership, show that the share of SMEs in the total number of companies in the non-financial sector in 2011 amounted to 99.8%. Source: [Ministry of Finance and Economy, 2012, p. 16].

⁴ For example, Djankov, et al. [2006] find that the relationship between more business-friendly regulations and the economic growth is strong, and consistently significant in various specifications of standard growth models.

⁵ The 2001 estimate relates to the Federal Republic of Yugoslavia.

to the development of the private sector remains to be among the top priorities. For example, in the latest economic memorandum for Serbia the World Bank [2011, p. 2] states that “the number one task of the authorities now is to accelerate reforms to create an environment that is highly conducive to export-led growth in the private sector”. In order to “unlock potential growth”, another international financial organization, the International Monetary Fund [2013, p. 13], suggests that it is urgent to conduct labour market, regulatory and public enterprise reforms. In essence, these are regulatory reforms, focused on stimulating job creation in the private sector, simplification and transparency of bureaucratic procedures, and restructuring of the public enterprises that are crowding out the private sector.

ENVIRONMENT FOR THE PRIVATE SECTOR DEVELOPMENT IN SERBIA

In this section data from various issues of the World Bank’s “Doing Business” publication have been used, in order to assess the state and dynamics of the business environment in Serbia.⁶

According to the latest edition of the “Doing Business” publication [World Bank, 2013b], when the overall quality of the business environment is considered Serbia is positioned in the middle among the 189 observed economies, i.e. it is ranked as the 93rd economy. Among the *Ease of doing business* index’s individual components, Serbia’s relative position is best concerning the *Getting credit* indicators set, where it is positioned at the 42nd place, whereas Serbia is worst concerning the *Dealing with construction permits* indicators set, since it is positioned among the bottom eight economies.

In comparison to the year before the relative position of Serbia has deteriorated, since in the “Doing Business 2013” publication it was ranked as the 86th among 185 economies. In the case of all indicators sets the relative position has worsened too, except in the case of *Resolving insolvency*, where a slight improvement in Serbia’s relative position has been recorded.

Perhaps a more convenient way of measuring changes over time, as well as a country’s position in relation to other economies, is a *distance-to-frontier* measure, which was developed in order to complement “Doing Business” rankings. *Distance-to-frontier* measures the distance between the country’s achievement and the best performance for each of the indicators in absolute terms, and is normalized to 0-100 range [World Bank 2013a, pp. 155-158]. Due to that, *distance-to-frontier* measure is not affected by the changes in the number of observed economies over time. While in the case of original “Doing business” rankings 1 stands for the best performing economy, and as the rank grows the relative position of an economy worsens, in the case of the *distance-to-frontier* measure the opposite is true, i.e. 100 refers to the best and 0 to the worst performance.

Distance-to-frontier measures for Serbia are presented in Table 1. Since the overall indicator is somewhat above 60, this can be interpreted as if the quality of the business environment in Serbia is somewhere in the middle, but slightly leaning towards the best performers rather than towards the worst performing economies. This is also true for 7 out of the total of 10 indicators sets, for which the *distance-to-frontier* measure takes values above 50. According to this measure, Serbia is closest to the best-achievers in the case of *starting a business* indicators set. On the contrary, it is most distant from the top performing economies in relation to *resolving insolvency* indicators set. Other two indicators sets where Serbia’s *distance-to-frontier* measure takes values lower than 50 are *dealing with construction permits* and *paying taxes*.

⁶ When interpreting results one should keep in mind that the years that are denoted in the “Doing Business” publications are not the years to which the underlying data correspond to. For example, “Doing business 2014” publication was published in 2013, and data the indicators are based upon are accurate as of June 1st 2013, except for data on taxes, which refer to 2012. For further explanation of the methodology refer to World Bank [2013a].

Table 1. Distance-to-frontier measure for Serbia

	DB 2014	Change in relation to DB 2006
Overall without electricity	61	9
Overall with electricity	62	2^{*)}
Starting a Business	88	12
Dealing with Construction Permits	47	14
Registering Property	77	16
Getting Credit	75	13
Protecting Investors	53	0
Paying Taxes	47	-1
Trading Across Borders	71	23
Enforcing Contracts	56	-2
Resolving Insolvency	31	9
Getting Electricity	76	1 ^{*)}

Note: ^{*)} the change refers to “Doing Business 2010” publication, when the *Getting electricity* indicators set was first introduced.

Source of data: <http://www.doingbusiness.org/data/distance-to-frontier> (retrieved on November 5th, 2013).

Although the *distance-to-frontier* measure was introduced in the “Doing Business 2012” publication, recalculated data for most of the indicators sets can be tracked back to DB 2006⁷. Changes in DB 2014 in relation to DB 2006 are presented in Table 1. One can note that the overall *distance-to-frontier* measure, as well as measures for most of the individual indicators sets, are positive, which means that over time the indicators of the quality of the business environment in Serbia have improved. This change, however, has been fairly modest. The biggest improvement has been achieved in the case of the *trading across border* indicators set. On the other hand, in the case of three indicators sets (*protecting investors*, *paying taxes* and *enforcing contracts*) no substantial changes, or even slight deteriorations, have occurred during the observed period. These are areas in which Serbia is a half way towards the best performers, which means there is a plenty of room for improvement, but, even if some measures have been undertaken, they obviously yielded no results.

It would also be interesting to track the pace of changes in the quality of the business environment over time. One way to do that is to see how the number of individual indicators sets that record improvement, deterioration or no change in regard to the *distance-to-frontier* measure changes each year. Overview of such changes is presented in Table 2. One can note that as of DB 2007 the number of indicators sets for which no change occurred is higher than the number of those that recorded improvement. Also, a total of 8 deteriorations related to individual indicators sets happened over the observed period. Which is even more problematic, two of such deteriorations occurred in the latest edition of the report (DB 2014), while at the same time only one improvement in relation to the previous year was recorded. This means that the track of improvements in the quality of the business environment in Serbia has not been sustained, and that over the previous couple of years it can be even regarded as ambiguous.

⁷ For three indicators sets *distance-to-frontier* measures are available as of DB 2004, which is the first in the series of “Doing Business” publications: *starting a business*, *enforcing contracts* and *resolving insolvency*. On the other hand, data on *getting electricity* are available as of DB 2010.

Table 2. Annual changes in the number of indicators sets that recorded improvement, deterioration or no change in relation to the distance-to-frontier measure ^{*)}

Year	Number of indicators sets			
	Total	Change in relation to the previous year		
		Improvement	Deterioration	No change
DB2005	5 ^{**)}	1	1	1
DB2006	9	4	0	1
DB2007	9	4	0	5
DB2008	9	3	0	6
DB2009	9	3	1	5
DB2010	10	4	0	5
DB2011	10	4	0	6
DB2012	10	2	2	6
DB2013	10	4	0	6
DB2014	10	1	2	7

Notes: ^{*)} Changes smaller than 0.5 points have been regarded as "No change".

^{**)} two new indicators sets were introduced in relation to the previous edition.

Source of data: <http://www.doingbusiness.org/data/distance-to-frontier> (retrieved on November 5th, 2013).

In Table 3 changes related to individual indicators sets are presented. The most sustained track of improvements is accomplished in the cases of 4 indicators sets where no deterioration in relation to the previous year occurred during the observed period. These include *trading across borders*, *starting a business*, *registering property* and *getting credit*. In the case of another 4 indicators sets tracks of improvements were accompanied by deteriorations. The worst records exist in the case of *enforcing contracts* and *paying taxes* indicators sets, where the number of deteriorations recorded over time has been the same or higher than the number of improvements. There are also two indicators sets where no changes whatsoever have occurred – *protecting investors* and *getting electricity*.

Table 3. Annual changes in the distance-to-frontier measure for individual indicators sets during the period DB2005-DB2014 ^{*)}

Indicators set	Improvement	Deterioration	No change	Number of observed years
Starting a Business	4	0	6	10
Dealing with Construction Permits	6	1	1	8
Registering Property	3	0	6	9
Getting Credit	3	0	6	9
Protecting Investors	0	0	8	8
Paying Taxes	1	1	6	8
Trading Across Borders	6	0	2	8
Enforcing Contracts	1	2	7	10
Resolving Insolvency	6	2	2	10
Getting Electricity	0	0	4	4

Note: ^{*)} Changes smaller than 0.5 points have been regarded as "No change".

Source of data: <http://www.doingbusiness.org/data/distance-to-frontier> (retrieved on November 5th, 2013).

A more comprehensive insight into the changes that did or did not occur related to the quality of the business environment can be provided by analysing changes in the values of individual indicators. These data are presented in Table 4. As far as the *starting a business* indicators set, in which Serbia is best positioned, is concerned, all indicators recorded substantial improvements over time, which

means that procedures for registering new businesses became substantially simplified and less time- and money-consuming. As for the *trading across borders* indicators, in which Serbia's relative position was most upgraded (although it remains to be weak), this was due to a substantial improvement in the efficiency of the required procedures, since time needed to complete the procedures decreased although their number remained the same. Similar administrative efficiency improvements occurred in the case of the *registering property* indicators. *Getting credit* is another indicators set in which Serbia is relatively well positioned, and which witnessed improvements over time, mainly due to the operation of the private registry of credits by the Association of Serbian Banks.

Another group of indicators are those in which none or no substantial changes happened over time, and these include *getting electricity*, *protecting investors* and *paying taxes* indicators. As for the former, there is room for improvements, especially regarding the amount of time and money required to gain an operational connection to the grid. Regarding the *protecting investors* indicators set, we can conclude that in all areas that measure the strength of minority shareholders' protection there is room for substantial improvements, especially those related to the shareholders' ability to sue directors for misconduct. *Paying taxes* is another area in which substantial reforms are necessary in order to make administrative procedures much more efficient, but they have not been undertaken yet.

The remaining indicators sets encompass those in which not only that Serbia's relative position is not satisfactory, but also occasional deteriorations have occurred. Almost all of the underlying indicators refer to time-consuming and costly administrative procedures that are necessary to be made much more efficient in order to become conducive for the operation of the private sector. In the case of *dealing with construction permits*, almost nothing has been done regarding the number of procedures, and especially time required to complete them; improvements that have been recorded refer mainly to the procedures becoming cheaper in relative term. Thus, the issue of construction permits remains to be among the biggest problems of the private investors in Serbia. *Enforcing contracts* is another major bottleneck, because judicial resolution of disputes requires a lot of time and financial resources. *Resolving insolvency* indicates the costs (in time and money) the creditor faces in order to recover his claim. Indicators for Serbia are quite unsatisfactory, especially those related to the overall costs of enforcing the procedure, and the recovery rate.

Table 4. Values of "Doing Business" indicators for Serbia, 2014 edition⁸

Indicators set	Indicator	Value	Change ⁸⁾
Starting a Business	Procedures (No.)	6 (DB2004:12)	+
	Time (days)	11.5 (DB2004:56)	+
	Cost (% of income p.c.)	7.2 % (DB2004:15.9)	+
	Paid-in min. capital (% of income p.c.)	0 % (DB2004:113.4)	+
Dealing w Construct. Permits	Procedures (No.)	18 (DB2006:19)	+
	Time (days)	269 (DB2006:205)	-
	Cost (% of income p.c.)	1433.5% (DB2006:3896)	+
Regist.	Procedures (No.)	6 (DB2005:6)	No change

⁸ In most cases measurable indicators are used to assess the relative position of a country. Often the number of procedures is taken into account, as well as the total amount of time and money required to complete these procedures. In order to measure the ease of *getting credit* and the strength of *protecting investors*, indices have been developed. In the case of the *getting credit* indicators set there are two indices: *strength of legal rights index* measures the degree of protection of creditors through collateral and bankruptcy laws, while the *depth of credit information index* measures the scope and accessibility of credit information. *Protecting investors* set is focused on the protection of the minority shareholders' rights, and is measured by several indices: *extent of disclosure* refers to the transparency of related-party transactions, *extent of director liability index* measures the accountability of a director to minority shareholders, while the ease of the shareholders to sue a directors for misconduct is measured by the appropriate index. Source of information on methodology: World Bank [2013a].

Property	Time (days)		11 (DB2005:111)	+
	Cost (% of income p.c.)		2.8% (DB2005:5.5)	+
Getting Credit	Strength of legal rights		7 (0-10 scale) (DB2005:6)	+
	Depth of credit information		5 (0-6 scale) (DB2005:0)	+
	Public registry coverage		0% of adults (DB2005:0)	No change
	Private registry coverage		100% of adults (DB2005:0)	+
Protecting Investors	Extent of disclosure		7 (0-10 scale) (DB2006:7)	No change
	Extent of director liability		6 (0-10 scale) (DB2006:6)	No change
	Ease of shareholders suits		3 (0-10 scale) (DB2006:3)	No change
	Strength of investor protection		5.3 (0-10 scale) (DB2006:5.3)	No change
Paying Taxes	Payments (per year)		66 (DB2006:66)	No change
	Time (hours per year)		279 (DB2006:279)	No change
Trading Across Borders	Docum. to export	(No.)	6 (DB2006:6)	No change
	Docum. to import		7 (DB2006:7)	
	Time to export	(days)	12 (DB2006:33)	+
	Time to import		15 (DB2006:46)	
	Cost to export	(USD per container)	1455 (DB2006:1240)	-
Cost to import		1760 (DB2006:1540)		
Enforcing Contracts	Time (days)		635 days (DB2004:1028)	+
	Cost (% of claim)		34% of claim (DB2004:33.4)	No change
	Procedures (No.)		36 (DB2004:39)	+
Resolving Insolvency	Time (years)		2 (DB2004:2.7)	+
	Cost (% of estate)		20% (DB2004:23)	+
	Recovery rate		29% (DB2004:20.5)	+
Getting Electricity	Procedures (No.)		4 (DB2010:4)	No change
	Time (days)		131 (DB2010:131)	No change
	Cost (% of income p.c.)		505.6% (DB2010:591)	+

Note: *) refers to a change in the DB 2014 value of the corresponding indicator in relation to the earliest available year. Both values are given in the previous column.

Source of data: <http://www.doingbusiness.org/Custom-Query/serbia> (retrieved on November 5th, 2013).

COMPARISON WITH THE EUROPEAN UNION MEMBER STATES

One of the important drivers of the improvement in the business environment quality has been the process of the EU accession. According to Penev and Marušić [2012], in the Western Balkan countries more systematic legislative reforms started with the initiation of the EU accession processes. However, they also point out that the implementation of new legislation is lagging behind, since serious institutional reforms are required.

Having in mind that the accession process to the EU has been initiated, and that in the foreseeable future Serbia will become a Member State of this association, it is worthwhile considering the extent of the gap in certain indicators of the quality of business environment between Serbia and the EU. For that purpose the World Bank's "Doing Business" database is once more engaged⁹.

In Table 5 the latest rankings of Serbia and the European Union are presented. Among all the observed economies the EU would be positioned at the 40th place, which cannot be regarded as exceptionally well¹⁰; however, it is substantially better than the 93rd position of Serbia. Even when individual

⁹ The European Union is not ranked in the original "Doing Business" publication, but only its member states; however, a special regional report on the EU is available [World Bank, 2013c], containing average EU values for all the observed indicators, measured as averages of individual Members States' scores.

¹⁰ One must keep in mind that the EU's overall position is based on non-weighted averages of its Member States' scores for each of the indicators. Because of that, when a small Member State (e.g. Malta or Luxembourg) has an exceptionally low score for some indicator, it has the same influence on the overall EU score as an exceptionally good score of a large Member State.

indicators sets are considered the overall EU position is not among the top performing economies. The EU as a whole is best positioned regarding the *trading across borders* and *resolving insolvency* indicators sets, while its position is worst when *getting electricity* and *dealing with construction permits* indicators sets are taken into account. This is due to the fact that the EU Member States' policies and regulations may substantially differ, so that scores for each of the indicators vary across individual Member States. As a consequence, the EU Member States are spread from the 5th (Denmark) to the 103rd (Malta) position when the overall *ease of doing business* index is considered.

Table 5. Rankings of Serbia and the EU Member States in the “Doing Business 2014” report

Indicators set	Serbia	EU			Gap ^{*)}		
		Average	Best achiever	Worst achiever	EU average	EU best	EU worst
Ease of doing business	93	40	5 DK	103 MT	-53	-88	+10
Starting a Business	45	70	11 LT	161 MT	+25	-34	+116
Dealing with Construction Permits	182	74	8 DK	163 MT	-108	-174	-19
Registering Property	44	63	6 LT	180 BE	+19	-38	+136
Getting Credit	42	56	1 UK	180 MT	+14	-41	+138
Protecting Investors	80	66	6 IE	128 LU	-14	-74	+48
Paying Taxes	161	63	6 IE	138 IT	-98	-155	-23
Trading Across Borders	98	36	6 SE	108 SK	-62	-92	+10
Enforcing Contracts	116	45	1 LU	122 MT	-71	-115	+6
Resolving Insolvency	103	37	3 FI	99 RO	-66	-100	-4
Getting Electricity	85	74	3DE	174 RO	-11	-82	+89

Note: *) Positive(negative) sign indicates that Serbia is better(worse) ranked than the corresponding EU Member State or EU average.

Abbreviations: BE Belgium, DE Germany, DK Denmark, FI Finland, IE Ireland, IT Italy, LT Lithuania, LU Luxembourg, MT Malta, RO Romania, SE Sweden, SK Slovakia, UK United Kingdom.

Source of data: World Bank [2013b; 2013c].

It is interesting to note that there exist three indicators sets in which Serbia is ranked better than the EU average. These include the areas of *starting a business*, *registering property* and *getting a credit*. This is also, to a large extent, consequence of low-performers within the EU. When *starting a business* is considered, all EU's individual indicators are, on average, better or comparable to the ones in Serbia; however, an exceptionally bad performance of a few countries (especially Malta) led to that the overall EU ranking is lower than for Serbia. Ten Member States have better position than Serbia (Lithuania is at the top position among them), and in the case of almost all of them fewer procedures and less time is required in order to register a new business entity. The EU Member States that are at the bottom end are those in which it takes a lot of time (up to 40 days) to complete the process and/or the number of procedures is high (in the case of Malta 11). *Registering property* is, on average, easier to finish in Serbia than in the EU, primarily because it is less time consuming. Although there are EU Member States in which it takes only 1 document (Sweden) or 1 day (Portugal) to register a property, it is not the general rule, so in a number of countries it takes around a month or longer to complete this process¹¹. Although an EU Member State (United Kingdom) is the top performing economy in the world when *getting credit* indicators set is considered, the Serbia's position is better than the EU

¹¹ For example, in Sweden only 1 procedure exists in order to register the property, but it takes, on average, 28 days to complete it.

average. This is due to the fact that there exists a registry with a 100% coverage of adults and firms' credit history, which is not the case in many EU Member States¹².

On the other side, there also exist three indicators sets for which Serbia is ranked worse than the EU's worst performing Member States. Two of these areas are those in which the gap between Serbia and the EU is the widest. *Dealing with construction permits* is particularly troublesome in Serbia, and its position relative to the EU is worst. This is due to the fact that it takes more documents, substantially more time and is extremely more expansive (in relative terms) than the EU average. Although in a number of EU Member States it takes comparable or even more time to complete the procedures, the total cost is substantially lower than in the case of Serbia. For example, in Serbia the total cost is more than 14 times higher than income per capita, while the worst indicator for an EU Member State (Ireland) stands at around 4.5 average incomes. *Paying taxes* is an area in which the gap between Serbia and the worst performing EU Member State (Italy) is the widest. This is mainly because the number of payments in Serbia is extremely higher than in the EU, but also because it is more time consuming. To illustrate the extent of the gap, in Serbia the annual number of payments stands at 66, while in the EU it is ranged between 4 (Sweden) and 39 (Romania), and the average value is 12. In *resolving insolvency* Serbia is also ranked worse than the EU Member State with the lowest score. Time required to complete the recovery of the claim is comparable to the EU average, but the total cost of the procedure, as well as the end recovery rate, stand at comparable terms with the worst indicators for individual Member States, so that they are much worse than the EU average.

The two areas in which Serbia is closest to the EU's average position (though it is lagging behind it) refer to *getting electricity* and *protecting investors*. Serbia's values for individual indicators are comparable to the EU average, with the two exceptions. The first one refers to the low score related to the ability of minority shareholders to sue directors for misconduct, while the second is related to the high costs of obtaining a permanent electricity connection. In both instances Serbia's score is the same as in the case of the worst performing EU Member States.

In the case of the remaining two indicators sets, *trading across borders* and *enforcing contract*, the common pattern is that the number of procedures in Serbia is somewhat higher than the EU average, while the total required costs are substantially higher, and comparable to or worse than in the worst performing EU Member States.

CONCLUDING REMARKS

The importance of the development of the businesses environment that is conducive to the private sector growth in Serbia has been one of the top priorities of economic policy since the relaunch of transitional reforms in 2001. These reforms have yielded some results, so that the private sector shares in both GDP and the number of employed workers have increased over 50%. However, they are still not much larger than the shares of the public sector. This was, in part, due to the occurrence of the global economic crisis in 2008, which had a particularly severe impact on the performance of private enterprises.

The quality of the business environment was analysed using the World Bank's "Doing Business" data, according to which the overall position of Serbia is somewhere in the middle among all the observed economies. This means that the overall business environment in Serbia has not been particularly inciting to the development of the private sector. On top of the facts that are pointed out in the World Bank's publication itself, several conclusions should be mentioned. Since the "Doing business" dataset was first introduced, the overall quality of the business environment in Serbia has improved. However,

¹² According to the "Doing Business" database, in only seven EU countries there exists a 100% coverage, either by the public registry or the private bureau. These are Germany, Italy, Slovenia, Ireland, United Kingdom, Sweden and Portugal.

due to the fact that in the case of several of the overall index's components occasional deteriorations did occur, the above mentioned improvements in the overall quality of the business environment in Serbia cannot be regarded as sustained. A particular matter of concern is that a minor or no progress was achieved in the areas in which Serbia performs worst in relation to other economies. Comparison with the European Union reveals that, on average, Serbia's administrative procedures are less efficient (number of procedures is higher and/or they require more time to complete) and more expensive (in relative terms).

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