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SERBIAN GOVERNMENT COMMITS TO IMPROVING BUSINESS COMPETITIVENESS AND CONTINUE WITH REFORMS

BELGRADE (Nov. 1) – State Secretary of Finance and Economy Vljako Senic today said that the findings of USAID’s 2012 Business Survey show the Government of Serbia has a lot of work to do to develop a better environment for businesses to grow and create jobs. He said the government would be using the annual survey as a source for measuring the reforms process. State Secretary Senic added the government is already tackling several obstacles identified in the study.

“In late September, the Government of Serbia removed 138 para-fiscal fees and charges that were identified by the study done by USAID’s Business Enabling Project. This shows that the burdens on businesses can be effectively reduced and demonstrates government’s commitment to helping Serbian businesses improve their competitiveness,” Senic said.

U.S. Ambassador to Serbia Michael Kirby said the survey, funded by the U.S. Agency for International Development, demonstrates how the U.S. and Serbia can work together to strengthen the Serbian economy, particularly in easing regulatory burdens on small and medium-sized enterprises.

In order to retain – and hopefully expand – their market share, Serbia’s companies must increase their competitiveness, Ambassador Kirby said. To do this, they need to be able to operate in a competitive business environment with less red tape and greater predictability and transparency.

USAID’s Second Annual Business Survey of 1,000 Serbian private companies found that businesses were suffering many of the same problems as a year ago, including a lack of capital, high wage taxes, inflation, and burdensome administrative procedures and regulations.

However, there were some significant improvements. Some 26 percent of businesses surveyed said the burden of laws and regulations has decreased during the past 12 months. A year earlier, only 17 percent of businesses said the burden had decreased. Companies also reported paying lower inspection fines and spending less time with inspectors than the previous year.

Nonetheless, businesses are more pessimistic this year. Only 34% of the companies surveyed expected to increase profits during the next 12 months, compared with 51% in last year’s survey.

Since 2001 USAID has invested more than \$689.4 million to stimulate economic growth, strengthen the justice system, and promote good governance in Serbia.

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While in 2011 31 percent believed their companies would hire new staff, this figure now stands at just 19 percent.

The poor environment for jobs is reflected by the fact that 82 percent of businesses had to terminate staff during the past year, mostly due to limitations on fixed-term work or the amount of taxes and contributions that must be paid based on employment. Some 55 percent of respondents said Labor Law provisions limiting fixed-term contracts caused them to limit hiring or retaining employees during the past 12 months.

The survey highlighted numerous other issues that affect competitiveness. For example, 47 percent of the businesses surveyed said that corruption affects their businesses, while just 17 percent said that corruption does not affect them at all.

Importantly, 63 percent of businesses said that inadequate or poor access to finance had an adverse impact on their businesses during the past year.

USAID's Business Survey is the most comprehensive study of competitiveness in Serbia. Because it is conducted annually, it provides year-to-year comparative data about the business climate in Serbia.

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