Steering Committee on Trade Capacity and Standards

Sixth Annual Session

21- 22 June 2021, Geneva (hybrid)

Increasing the contribution of trade to structural transformation in Serbia

Findings and Recommendations from

UNECE Study on Regulatory and Procedural Barriers to Trade and COVID-19 Impact Assessment
UNECE Evaluation Methodology

**Evidence-based**

- Desk review of development strategies and key legislation
- Actor-oriented questionnaires targeting supply chain participants
- Consultations with public and private stakeholders
- Action oriented recommendations
Non-tariff measures governing trade in goods

UNECE Evaluation Methodology

- Sanitary and phytosanitary measures (Chapter A)
- Technical barriers to trade (Chapter B)
- Distribution restrictions (Chapter J)
- Pre-shipment inspection and other formalities (Chapter C)
- Measures affecting competition (Chapter H)
- Finance measures (Chapter G)
- Price control measures, including additional taxes and charges (Chapter F)
Scope of the Assessment

**Trade facilitation**

- **BUY**
- **SHIP**
- **PAY**

**Prepare for Export**

**Export**

**Transport**

**Prepare for Import**

**Commercial Procedures**
- Establish Sales Contract
- Order Goods
- Advise on Delivery
- Request Payment

**Transport Procedures**
- Establish Transport Contract
- Collect Transport and Deliver Goods
- Provide Waybills, Goods Receipts Status Reports

**Regulatory Procedures**
- Obtain Licenses
- Provide Customs Declaration
- Provide Cargo Declaration
- Apply Trade Security Procedures
- Clear Goods

**Financial Procedures**
- Provide Credit Rating
- Provide Insurance
- Provide Credit
- Execute Payment
- Issue Statements
Scope of the Assessment

Quality infrastructure: Product life cycle

Infrastructure, Competence, Management, Environment

**Technical Regulation**
- Policy Setting
- Development and Harmonization
- Implementation

**Accreditation**
- International Standards
- International Recognition

**Market Surveillance**
- Planning Activities
- Performing Procedures

Product Design and Production

**Standards**
- Planning, Development and Implementation
- Adoption of International Standards and Cooperation
- Publication & Dissemination

**Market Placement**
- Choosing Conformity Assessment Procedures
- Certification, Inspection, Testing, Verification
- Metrology Conventions

**Distribution**
- Information Exchange with Stakeholders
- Removing Dangerous Products
- Fighting Counterfeit Goods

Regulatory Activities and Dialogue
Serbia’s Approach to Unleashing the Potential of Trade

Trade as an engine for driving structural transformation

**Business environment**
- Ensuring macroeconomic stability
- Combating corruption
- Improving the efficiency of public services, including through migrating to a paperless environment
- Curbing illicit activities

**Investment promotion**
- Attracting foreign direct investment (FDI)
- Promoting national investment

*Targeted: special emphasis on attracting investments into strategic sectors*

**Enterprise development**
- Improving enterprises’ access to external sources of funds
- Promoting entrepreneurship
- Promoting innovation
- Supporting small and medium-sized enterprise development
- Addressing the skills mismatch in the labor market

**Cross Cutting**
- Ensuring gender equality
- Developing the transport system
- Developing the national quality infrastructure (standardization, accreditation, conformity assessment and metrology)

**Trade for structural transformation**

**Free Trade Area with the EU (as part of the Stabilization and Association Agreement)**
Reform Achievements

More balanced growth

- Manufacturing has registered increased specialization in technology intensive activities during the past few years, driven by machinery and transportation, particularly the automotive industry.
- FDI played an important role.
- Manufacturing has consistently accounted for the lion’s share of total investments in industrial fixed assets.

These changes set the context of a more balanced growth that is driven by both services and manufacturing.

- Coupled with the Government’s relief and support measures to alleviate the economic impact of the pandemic, the structural changes have enabled the Serbian economy to register positive income growth in 2021.

Yet

- The industrial sector ranks second, with a 20% share in GDP and 70% in employment.
- Services generates more than 50% of GDP and employs 70% of the country’s labor force (2019).
- Real GDP grew by 1.7 per cent during the first quarter of 2021 in relation to its corresponding quarter in 2020 and is estimated to growth by 6 per cent in 2021.

- Trade deficit (USD 6.7 billion in 2020) and limited range of trading partners.
- Income equality remains a challenge, with 23.2% of the population found to be at risk of poverty in 2019.
Micro, small and medium enterprises (MSMEs), or 99% of active registered enterprises, have weak productive capacities (activities with low value-added).

Only a small segment of the MSMEs is engaged in export activities on a continuous basis.
Key Findings: Pre-pandemic

- Lack of clarity over applicable trade-related rules and procedures
- Cumbersome documentary requirements
- Cross border trade complicated by capacity shortfalls: lack of adequate infrastructure and basic facilities
- The national accreditation body lacks experts for accrediting testing laboratories, and conformity assessment bodies are hesitant to assume the role of notified bodies
- Serbia’s metrology system needs to be strengthened
- Gaps in cooperation mechanisms for facilitating cross border trade through/to neighbouring countries

Reforms are outstripping capacity building efforts
Key Findings: Pre-pandemic

Trade costs

Trade costs did not pose an investment disincentive

Despite the significant burden that trade costs place on the enterprises, around 95% of the enterprises were planning to expand their production and/or trade activities over the period 2020-2021, encouraged by the new opportunities generated by the Free Trade Area with the EU.

Surveyed traders’ pre-pandemic expansion plans for 2020-12, (% of responses)

- Exporting to new countries: 24%
- Purchasing new machinery: 24%
- Launching new products: 22%
- Hiring additional staff: 18%
- Establishing branches locally: 8%
- Establishing branches abroad: 4%

Source: UNECE survey of Serbian MSMEs (726 enterprises)
The Impact of the Pandemic

MSMEs are too weak to respond to positive stimuli

MSMEs' urgent needs for maintaining operations (% of respondents)

<table>
<thead>
<tr>
<th>Service</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant funds</td>
<td>64.2%</td>
</tr>
<tr>
<td>Interest-free loans</td>
<td>45.0%</td>
</tr>
<tr>
<td>Tax payment suspensions</td>
<td>34.3%</td>
</tr>
<tr>
<td>Tax payment deferrals</td>
<td>34.1%</td>
</tr>
<tr>
<td>Other</td>
<td>27.4%</td>
</tr>
<tr>
<td>One-off salary payments to employees</td>
<td>23.5%</td>
</tr>
<tr>
<td>Direct cash injection</td>
<td>21.8%</td>
</tr>
<tr>
<td>Loan payment deferrals</td>
<td>21.0%</td>
</tr>
<tr>
<td>Rebates on electricity bills</td>
<td>12.7%</td>
</tr>
<tr>
<td>Rebates on rent bills</td>
<td>8.7%</td>
</tr>
<tr>
<td>Free consultancy</td>
<td>8.5%</td>
</tr>
<tr>
<td>Tax exemptions</td>
<td>5.6%</td>
</tr>
<tr>
<td>Guidelines and explanatory brochures</td>
<td>4.0%</td>
</tr>
<tr>
<td>Technical unemployment payments</td>
<td>3.5%</td>
</tr>
<tr>
<td>Customs assistance</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

Source: UNECE survey of Serbian MSMEs (726 enterprises)
The Challenge

Linking relief to development efforts

Sweeping relief measures

Targeted loan schemes for enterprise development

Long term development efforts
Recommendations for Strengthening Institutional Capacities

**Bolstering transparency in trade**
- By going beyond online publication of up-to-date information on trade rules and procedures to providing user-friendly explanatory brochures and ensuring continuous consultations with the private sector.

**Transitioning to a paperless trading environment**
- Following a concerted effort to streamline, harmonise and standardize information requirements, in order to set the context of establishing an online system for a one-time submission to data elements following the UN Centre for Trade Facilitation and Electronic Business (UN/CEFACT) recommendations and business standards.

**Further reducing clearance time**
- By, among others, synchronizing the working hours of control agencies, streamlining control procedures, further developing the risk management system and equipping border crossing points (BCPs) with the required facilities.

**SDG 16.10** Ensure public access to information...
**SDG 17.10:** Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system...

**SDG 17.10:** Promote a universal, rules-based, open...
**SDG 17.6:** Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships ....

**SDG 17.10:** Promote a universal, rules-based, open...
**SDG 9.1:** Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure...
Recommendations for Strengthening Institutional Capacities

Consolidating the national system of quality infrastructure

- Accord priority to strengthening capacities for translating harmonized standards into Serbian.
- Strengthen the national conformity assessment system.
- Strengthen the national system of metrology, including through intensifying the Directorate of Measures and Precious Metals participation international organizations’ activities and supporting its investments in new laboratories.

Bringing MSMEs up to regulatory requirements in domestic and global markets

- Develop the enterprises’ production capacity. Among others, addressing skills mismatch in the labor market; enabling enterprises to implement international standards; linkages programmes with national, regional and transnational corporations.
  - Only 2% of the enterprises held Authorized Economic Operator status.
  - While 90% of the surveyed enterprises reported having own websites, the majority were not engaged in e-commerce.

SDG 17.10: Promote a universal, rules-based, open.
SDG 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency ...
SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading ...
SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular, in developing countries, to financial services [...] and their integration into value chains and markets.
## Enterprise Support Services

### Narrow mix

**Traders' evaluation of support services received (% of responses)**

<table>
<thead>
<tr>
<th>Service</th>
<th>No</th>
<th>Yes, poor</th>
<th>Yes, average</th>
<th>Yes, excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal advice</td>
<td>85%</td>
<td>11%</td>
<td>10%</td>
<td>28%</td>
</tr>
<tr>
<td>Training</td>
<td>68%</td>
<td>29%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>International trade fairs</td>
<td>55%</td>
<td>3%</td>
<td>26%</td>
<td>16%</td>
</tr>
<tr>
<td>Product development</td>
<td>90%</td>
<td></td>
<td></td>
<td>7%</td>
</tr>
<tr>
<td>Information on export opportunities</td>
<td>55%</td>
<td>13%</td>
<td>32%</td>
<td></td>
</tr>
<tr>
<td>Financial support</td>
<td>94%</td>
<td></td>
<td></td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: UNECE survey of Serbian traders
**Bolstering enterprise Growth Dynamics**

**Enabling factors**

<table>
<thead>
<tr>
<th>Benefits of implementing standards (% of responses)</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other benefits</td>
<td>93%</td>
<td>7%</td>
</tr>
<tr>
<td>Reduced waste</td>
<td>68%</td>
<td>32%</td>
</tr>
<tr>
<td>Improved product quality</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>Access to new markets</td>
<td>80%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: UNECE survey of Serbian traders

Around 85% reported implementing international standards, particularly ISO 9001 as well as industry standards.
### Bolstering Enterprise Growth Dynamics

#### Enabling factors

**MSMEs involvement in sub-contracting arrangements (% of responses)**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Enterprises is the contracting party</th>
<th>Enterprise is the contracted party</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other activities</td>
<td>8%</td>
<td>4%</td>
<td>88%</td>
</tr>
<tr>
<td>Packaging</td>
<td>8%</td>
<td>8%</td>
<td>84%</td>
</tr>
<tr>
<td>Product assembly</td>
<td>12%</td>
<td></td>
<td>88%</td>
</tr>
<tr>
<td>Manufacturing semi-final products</td>
<td>8%</td>
<td>35%</td>
<td>58%</td>
</tr>
<tr>
<td>Manufacturing final products</td>
<td>39%</td>
<td>39%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: UNECE survey of Serbian traders
Bolstering Enterprise Growth Dynamics

Enabling factors

<table>
<thead>
<tr>
<th>Benefits received under sub-contracting arrangement (% of responses)</th>
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<tbody>
<tr>
<td>Other activities</td>
</tr>
<tr>
<td>Packaging</td>
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Source: UNECE survey of Serbian traders
UNECE studies:

- Regulatory and procedural barriers to trade in Serbia: Needs assessment”
- Impact of COVID-19 on trade and structural transformation: Evidence from UNECE survey of MSMEs