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

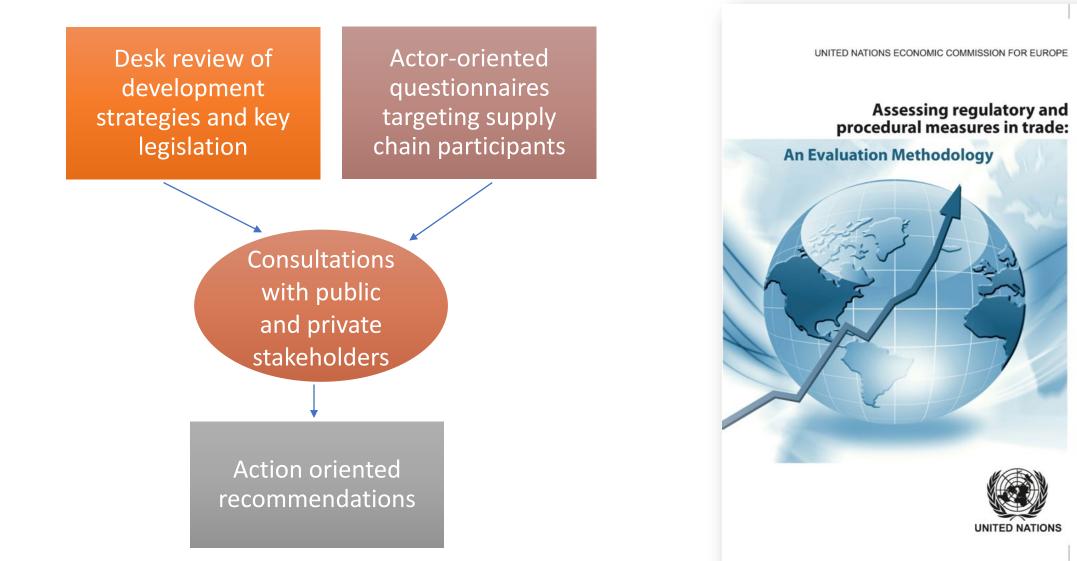
UNECE Study on Regulatory and Procedural Barriers to Trade and COVID-19 Impact Assessment

UNECE

UNECE Evaluation Methodology

Evidence-based

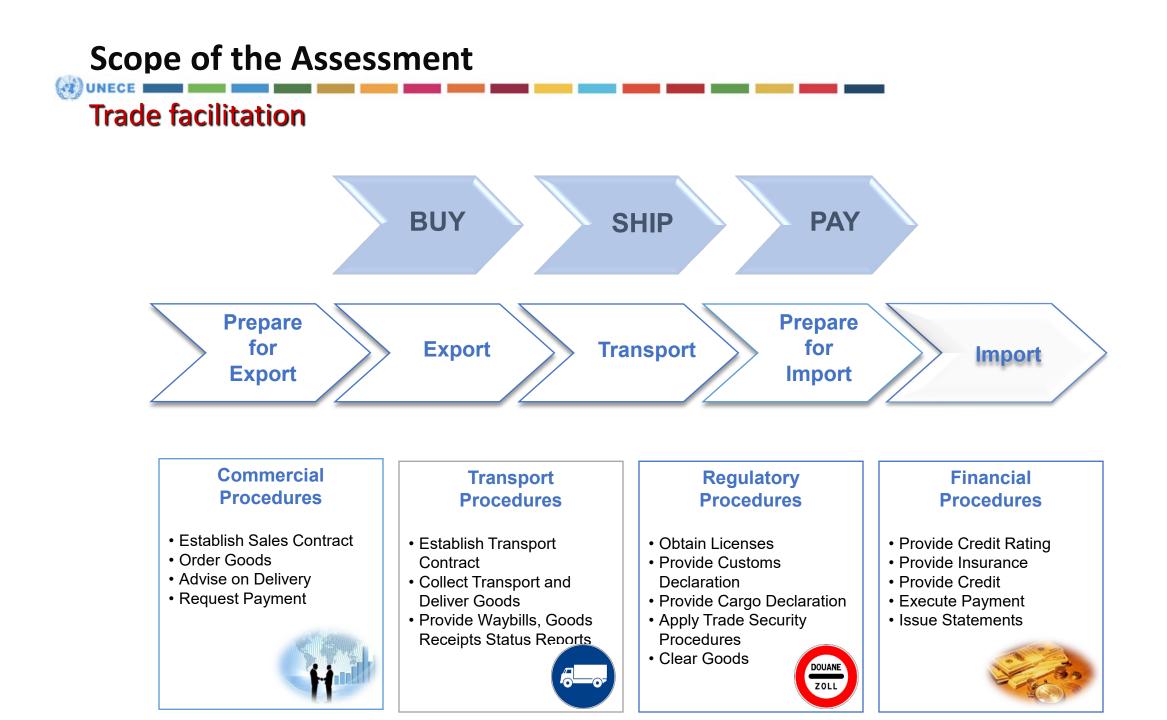
C)



UNECE Evaluation Methodology

UNECE

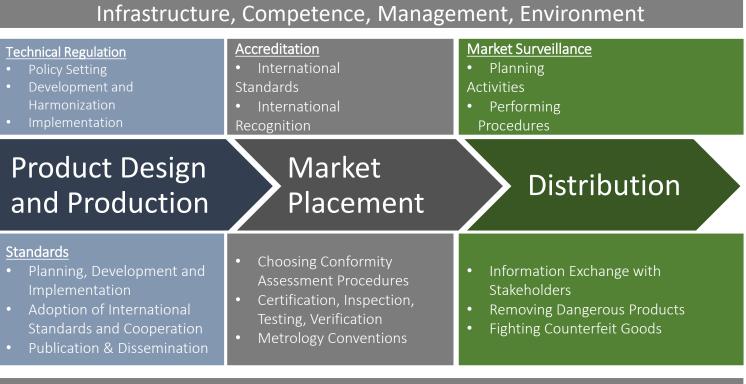
Sanitary and phytosanitary measures (Chapter A) Technical Distribution barriers to restrictions trade (Chapter J) (Chapter B) **Non-tariff measures** UNECE **EVALUATION** governing trade in goods **Pre-shipment** Measures **METHODOOGY** inspection affecting and other competition formalities (Chapter H) (Chapter C) Price control Finance measures, measures additional taxes (Chapter and charges **G**) (Chapter F)



Scope of the Assessment

UNEC

Quality infrastructure: Product life cycle



Regulatory Activities and Dialogue

Serbia's Approach to Unleashing the Potential of Trade

Trade as an engine for driving structural transformation

Business enivrement

- 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

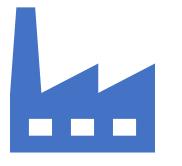
 Coupled with the Government's relief and support measures to alleviate the economic impact of the pandemic, the structural changes have enabled the Serbian economy to register positive income growth in 2021.

- The industrial sector ranks second, with a 20% share in GDP and % 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.

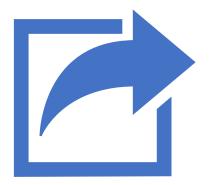
Yet

- 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.

Smaller Enterprises Unbale to Reap Reform Benefits



Micro, small and medium enterprises (MSMEs), or 99% of active registered enterprises, have weak productive capacities (activities with low valueadded).



Only a small segment of the MSMEs is engaged in export activities on a continuous basis.

Key Findings: Pre-pandemic

Reforms are outstripping capacity building efforts

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

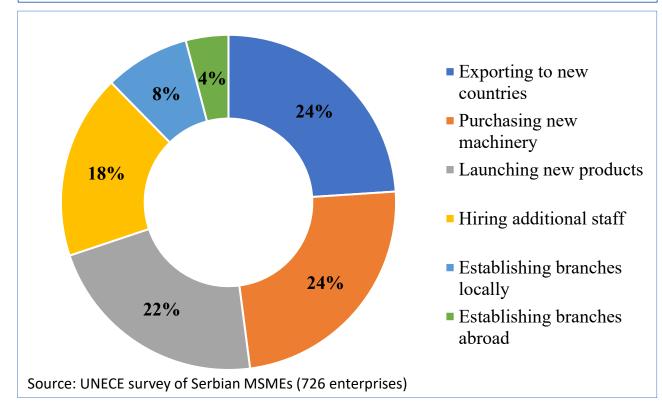
Gaps in cooperation mechansims for facilitating cross border trade through/to neighbouring countries

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)



The Impact of the Pandemic

MSMEs are too weak to respond to positive stimuli

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

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

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

UNEC

 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.

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

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

U (22)

 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.

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 ...

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 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.



Legal advice 11% 85% 10% 28% Training 68% 29% 3% International trade fairs 55% 3% 26% 16% **Product development** 90% 7%3% Information on export opportunities 55% 13% 32% **Financial support** 6% 94%

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

No Yes, poor Yes, average Yes, excellent

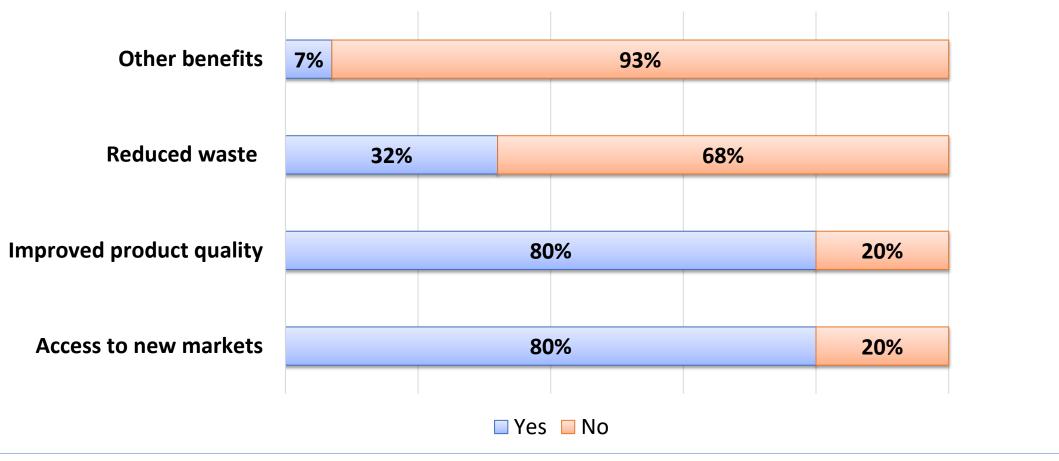
Bolstering enterprise Growth Dynamics

Enabling factors

UNEC

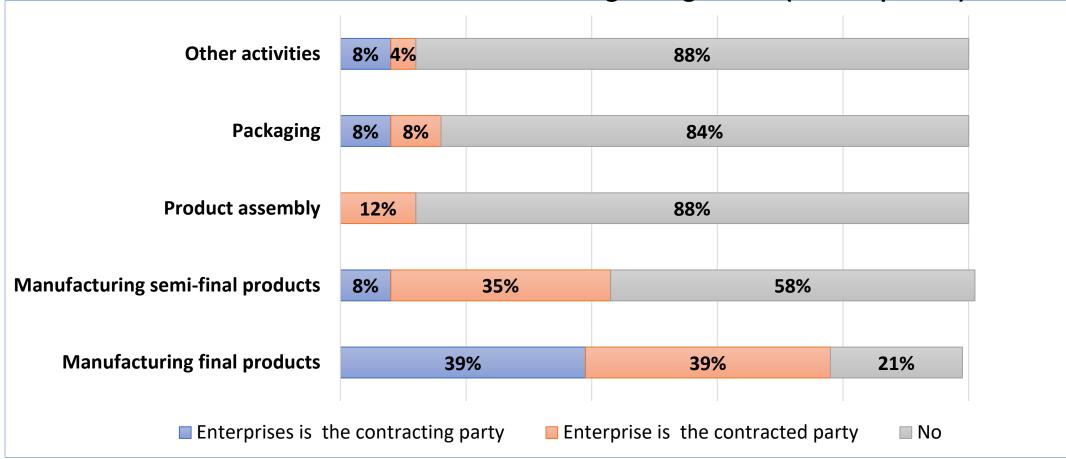
Around 85 % reported implementing international standards, particularly ISO 9001 as well as industry standards.

Benefits of implementing standards (% of responses)



Bolstering Enterprise Growth Dynamics

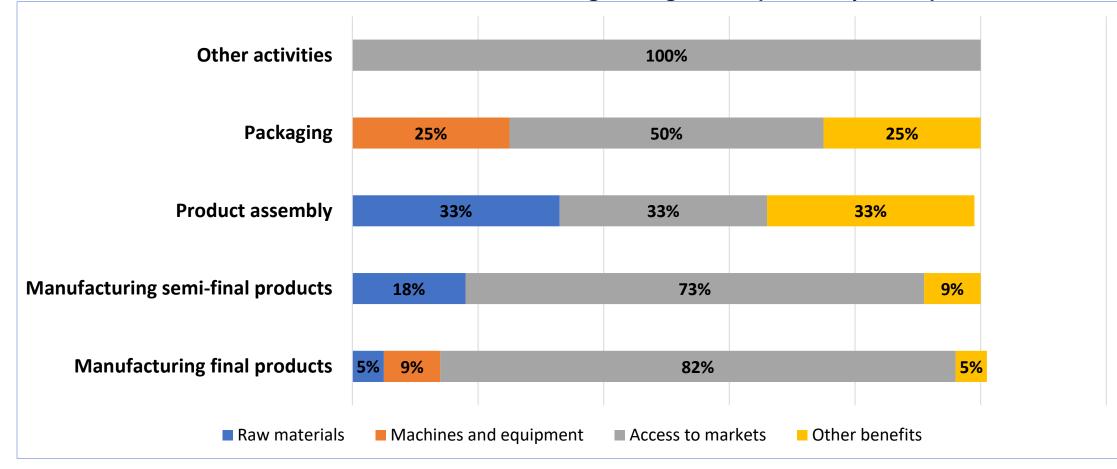
Enabling factors



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

Bolstering Enterprise Growth Dynamics Enabling factors

Benefits received under sub-contracting arrangement (% of responses)



THANK YOU

Ms. Hana Daoudi Economic Affairs Officer Economic Cooperation and Trade Division hana.daoudi@un.org www.unece.org

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
- <u>https://unece.org/trade/studies-regulatory-</u> <u>and-procedural-barriers-trade</u>

UNECE