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# "Evaluation of the Competiveness and the Business Environment in Serbia"

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# Evaluation of the Competiveness and the Business Environment in Serbia

By

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**Abstract**

It is well known that Serbia used to be an independent economy in the past, prior to the disintegration of Yugoslav Federation. But, in the 1990s, the loss of markets, international isolation, armed conflicts and interruption of long-established production relations left a dire legacy for the Serbian economy. What distinguishes Serbia in the Balkan region is that although it delayed to enter the transition process, it achieved significant progress in a very short period.

The upward trend of Serbian economy took place after the change of the president Slobodan Milosevic in October 2000. Trade and price liberalization as well as the establishment of a more stable political environment led to significant progress. FDIs contributed to this success to a great extent. Serbia boasts for a high qualified technician and engineer labor force inherited from the communist past. Having an experience in heavy industry, it constitutes a suitable place for doing business in manufacturing and automobile sector. Labor cost is extremely low in the region and the tax system is very conducive to potential investors. Moreover, its geographic location constitutes the cross boards of East and West and allows trade relations among several EU economies.

However, there are significant obstacles to doing business in Serbia. Inefficient government bureaucracy, corruption and damaged infrastructure are the most significant problems that require immediate restructuring. Doing business is inhibited by burdening and time consuming procedures to get licenses, inefficient judiciary system and misinterpretation of commercial legislation.

It is emergent to apply drastic reforms in order to increase competitiveness and attract more capital inflows to the region. Privatization process should be completed as monopolized industries do not function efficiently. Government should focus on the enhancement of SMEs and agricultural sector as well as to the improvement of the financial system. What is required at the moment is more attraction of Greenfield investments so as to develop a high quality business environment from the start-up. Educational reforms in the business sector are essential as managerial skills are absent. Although Serbia lags from being a developed economy, there are many promising factors for its future progress. Still, global crisis has plagued EU economies, and consequently Serbia, inhibiting in general business development at the time being.

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## LIST OF ABBREVIATIONS

| | |
|---|---|
| GCI: | Global Competitiveness Index |
| GCR: | Global Competitiveness Report |
| WEF: | World Economic Forum |
| DBI: | Doing Business Index |
| EDB: | Ease of Doing Business |
| WB: | The World Bank |
| EBRD: | European Bank for Reconstruction and Development |
| SIEPA: | Serbia Investments and Exports Promotion Agency |
| USAID: | United States Agency for International Development |
| IMF: | International Monetary Fund |
| EIB: | European Investment Bank |
| SBRA | Serbian Business Register Agency |
| IPA: | Instrument for Pre-Accession Assistance |
| IFC: | International Finance Corporation |

# INTRODUCTION

The aims of this paper are to describe how competitive is the Serbia's economy, analyze the business environment and explore the investment opportunities in the country. Assessing some of the well known international competitiveness and ease of doing business indices and surveys, we will make a deep description of the factors that determine the success or failure of doing business in this country.

In our analysis we used the Global Competitiveness Index (GCI) edited by the World Economic Forum (WEF) and the Doing Business Index (DBI), edited by the World Bank.

First, there will be a brief description of the Serbian economy, its strengths and weaknesses as well as its progress over the years. Although transition period came later for Serbia, the country managed to catch up with some neighboring economies or even surpass them.

Then, there will be a presentation of the Global Competitiveness index. Analyzing one by one the pillars that constitute it, we will show how important it is for national authorities to prioritize certain factors so as to achieve social progress and economic development. The first group of pillars (Basic Requirements) includes determinants that an under developed economy should try to ameliorate. Serbia, belongs to a medium-developed, transition economy, so main focus should be given in the second groups' pillars (Efficiency Enhancers). After reaching a certain level of development, the interest shifts to the third group's pillars (Innovation and Sophistication Factors) so as to accomplish further progress. The significance of the GCI index is apparent as it constitutes a motivation for global economies to struggle for better performance at social, political and economic level.

After familiarizing with the factors that determine the competitiveness of a country in the global map, a focus on Serbian competitiveness will follow. There will be a lay out of the competitive advantages of Serbian economy and the inefficiencies that inhibit improvement of the country's economic environment.

In order to provide a clear view of the areas in which Serbia foreheads or lags, we will make a comparison between the Serbia's performance and the Balkan and EU economies.

Undoubtedly, competitiveness indicates whether there is fertile ground for doing business in a country. For this reason, the second part is related to the Ease of Doing Business in Serbia. Equally, to the previous part, we will introduce the Index that measures the ease of doing business, the so-called Ease of Doing Business index. The components of this index will be described and, once more, there will be detailed attention to doing Business in Serbia. This analysis will let us conclude what are the challenges when staring, operating and closing a business in this country. Moreover, the factors that stand as obstacles to establish a private business investment will be numerated and the section will close with the comparison of the Serbian ease of doing business to the Balkan and the EU average index. As it will be remarked, in some dimensions Serbia notes astounding performance, by fore heading even developed European economies, such as Luxembourg, Switzerland, UK and Germany.

The third part will address to a potential investor to the country. We will explain the reasons that an individual should consider Serbia as a suitable place for investing as well as the sectors that are more profitable.

The study also displays the changes of the economical environment in this country during the last few years, and summarizes the main tendencies in the examined region. It will close with the lining up of some policy recommendations related to the main problems that obstruct business and attraction of foreign capital to the region.

# 1. Serbia's Economy

Towards the end of the 1980s, Serbia's position in former Yugoslavia was really favorable; Serbia, being an economy based on various services, agriculture and heavy industry, used to have a distinct position among the neighboring republics. However, the events that took place during and after the disintegration of Yugoslavia seriously harmed Serbian economy and its power in the Western Balkans. A series of economic sanctions imposed by United Nations from 1992 to 1995 and the damage of the infrastructure and industry during the bombardments of NATO in 1999, resulted in a deep plague to Serbian economy, and consequently the loss of contact to the other markets of ex-Yugoslavia and Council of Mutual Economic Aid (CMEA), as well as to the European market. Thus, Serbia had to start its development from the beginning and enter economic transition much later than other medium developed economies.

The real setting on to progress, took place after the change of former Yugoslav president Slobodan Milosevic in October 2000. From then, the country met a faster economic growth and it started preparations for adhesion in the EU, its most significant trade partner. Serbia was from time to time called "a Balkan tiger" due to its high rates of economic growth. [1] Its economic growth as all transition economies stems from foreign direct investments, primarily those that concern privatization (banks, mobile telephony, pharmacy etc.)[2] (see Belgrade Banking Academy - Belgrade and Institute of Economic Science, p. 269). It is estimated that in 2010, over 70% of FDIs was allocated in services sectors such as telecommunications, financial and trade services. (see Katic, Raletic, Abramocic, Jokamovic, 2011, p.151).

Serbia has also shown significant progress in terms of approximating EU. The ratification process of the SAA, which started in June 2010, is advancing. The country has overcome a major political obstacle for gaining EU candidate status with the arrest of two remaining fugitive criminals this year. In October 2011, European Commission recommended Serbia to be awarded candidate status and the final decision is expected by the European Council by the end of this year. (see EBRD, Transition Report, 2011)

[1] Between 2004 and 2008 economic growth averaged 6.3%, while GDP per capita almost doubled (Invest in Serbia, SIEPA, 2010).
[2] FDIs in Serbia accelerated from 2004 to exceed the amount of 4 billion euro in 2006 (ibid)

Table 1: **Basic Country Data**

| | |
|---|---|
| Official Name | Republic of Serbia |
| Form of State | Democratic Republic |
| Area | 88.361km$^2$ |
| Population | 7,310,555 (July 2011 est.)[3] |
| Major Cities | Belgrade, Novi Sad, Nis |
| Currency | Dinar (RSD) |
| GDP (purchasing power parity) | $80.65 billion (2010 est.) |
| GDP - per capita (PPP) | $10,900 (2010 est.) |
| GDP (official exchange rate): | $38.71 billion (2010 est.) |

(Source: World Fact Book, 2011, SIEPA, Investor's profile, 2011)

Table 2: **The Maastricht Criteria**

| | |
|---|---|
| Inflation rate (consumer prices) | 8.7% October 2011[4] |
| Interest rate spread | 7.73 (June 2011) [5] |
| Public debt | 46.7% of GDP (Q3 2011)[6] |
| Budget deficit (-): | -3.5% of GDP (Q3 2011)[7] |

(Source: National Bank of Serbia, Bank scope database)

Although political environment seems to improve, Serbia's future development is hampered by the instability of macroeconomic environment. Serbian economy is characterized by high inflation rates, huge external debt and slow economic growth. More precisely, during the last years, increasing inflation pressures took place to a great extent. Inflation has been fuelled mainly by food industry (a processed food oligopoly) and energy sector, where prices have risen and exchange rate has been depreciated. The rate of inflation was 14, 7% in April 2011, declined during the

[3] Does not include the population of Kosovo
[4] National Bank of Serbia
[5] Bankscope database
[6] National Bank of Serbia
[7] National Bank of Serbia

second half of 2011 and reached the level of 8.7% in October 2011. (see EBRD, Transition report 2011, p, 152, National Bank of Serbia).

As far as external debt is concerned, Serbia is largely relied on loans by IMF and other financial institutions and strict policies have been adopted to reduce public deficit. In April 2011, a Standby Arrangement with the IMF has expired while in September 2011 a new precautionary agreement that concerns 1, 1 billion euro has been approved. External debt amounts 33,6 billion dollars, as it is estimated in 31st December 2010, while the general government deficit stood at 4,6% of GDP in 2010. The government is targeting to a similar deficit at 2011 too, and, in order to cover this deficit, authorities have committed to reduce public spending by around 15 to 20 billion RSD. Banking loans, softly subsidized by the state, support production activity, exports and consumer demand (see SIEPA, Invest in Serbia, 2011, p. 8). The economic slowdown as well as a new decentralization law, passed in June 2011, and envisaging major transfers from central government to local municipalities, have contributed to this great deficit (see EBRD, Transition Report, 2011).

According to the Transition Report 2011, Serbian economy has slightly recovered from the crisis. It is estimated that real gross domestic product grew by 1% in 2010, after a drop of 3, 5% in 2009. As CIA world Fact book reports, Serbia's growth at the moment reaches 1, 8%. It is expected that this and the next year growth will reach 2, 1% (see EBRD, October 2011, p.11, Gomez, 2011, Index mundi 2011).

## 2. Global Competitiveness Index

With the purpose to measure and compare the level of competitiveness among countries, the World Economic Forum has introduced the Global Competitiveness Index. The GCI intends to measure competitiveness at the national level taking into account both micro and macroeconomic foundations of competitiveness. The index is measured on a scale from 1 to 7. Rate 1 represents the least competitive economies, while rate 7 the most competitive ones (see World Economic Forum, The Global Competitiveness Report 2009-2010, p.2-8).

The Global competitiveness Report includes 142 countries and offers a comparative analysis of their business climate and conditions for doing business from the entrepreneurial perspective. According to this analysis, competitiveness is estimated as a complex phenomenon, which is affected by numerous factors. These factors constitute the pillars of Competitiveness including various sub-indicators (see USAID Report, 2008).

The Global Competiveness Index (GCI) comprises 12 pillars of competiveness, grouped in 3 sub-groups: "Basic Requirements", "Efficiency Enhancers" and "Innovation and Sophistication Factors". The pillars are: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation. According to this analysis, countries pass through 3 stages of economic development. The first stage concerns low developed countries that their economies are factor driven, namely labor, capital and natural endowments. This stage is based on the 4 first pillars of GCI that comprise the "Basic Requirements". As the economy develops, other factors enter into play for its advancement in competitiveness and are grouped in the 2nd stage, where the next 6 pillars constitute the group of "Efficiency Enhancers". Serbia is undergoing this stage of development. The final stage of development depends to a large extent on "Innovation and Sophistication" of business processes and is referring to high developed economies. In the following section, the competitiveness pillars will be briefly described, so as to demonstrate the significance of the economic, social and political environment for the promotion of

competitiveness and thus, development of a country (see World Economic Forum, GCR, 2010-2011, USAID, 2008). In microeconomic level, these pillars have to be seriously taken into consideration from a possible investor thinking to start a business in a country (see World Economic Forum, The Global Competitiveness Report 2009-2010, p.2-8).

**1st pillar: Institutions**

The main role of institutions is to set a legal and administrative framework with which individuals, enterprises and governments may interact with the purpose to generate income and wealth in the economy. The quality of institutions determines investment decisions and business entrepreneurship. This pillar refers to property rights as well. The better the quality of institutions, the fewer problems would be acquainted in the process of doing business. For instance, bureaucracy, lack of transparency, corruption and overregulation can be limited once proper institutions are established. These problems exist both in public and private institutions (see World Economic Forum, The Global Competitiveness Report 2009-2010, p.2-8).

**2nd pillar: Infrastructure**

The quality of a country's infrastructure represents its developing international relations as well as its prospects of economic activity. Extensive and efficient infrastructure supports economic co-operation among countries since distance and mobility problems are reduced. A well developed system of infrastructure such as airports, road and railways, enable the transportation of persons and goods, while infrastructure networks such as electricity, energy, telecommunications improve information and facilitate commercial relations. (ibid)

**3rd pillar: Macroeconomic environment**

The basic element that one should examine when interested in starting a business is the stability of the macroeconomic environment. High inflation rates, increased unemployment and government debt unambiguously influence firms' operations. What plays a major role in macroeconomic stability too, is the interest rate spread which indicates the demand for loans. As the amount of supplied loans increases, the interest rate will tend to fall. (ibid)

### 4th pillar: Health and primary education

The specific pillar concerns the quality of health and education in a country. Healthy and educated labor force is more efficient, whereas its absence means significant costs to the enterprises. Certain jobs with advanced production process demand qualified personnel or physical capabilities. Lack of these characteristics may be a constraint to a firm to use labor and capital intensive projects. (ibid)

### 5th pillar: Higher education and training

Apart from basic and secondary education, higher education of work force gives a comparative advantage to the development of a firm. In a globalized environment where skills competition is dominant and technology constantly evolves, it is necessary to develop specialized individuals, easy to adapt on their own or after training, to a challenging business climate. (ibid)

### 6th pillar: Goods market efficiency

A good performing market, by definition, plays a major role in how competitive a country might be. Market efficiency depends on demand conditions with the appropriate government intervention in order to correct market distortions. Demand can be higher in some countries as, according to cultural and historical factors, customers have various preferences and habits. More precisely, when customers are more demanding, markets are becoming more innovative and customer-oriented. Apart from the efficiency, this pillar also indicates the concentration of the market. When a market is too concentrated, oligopolies and monopolies hinder business productivity, whereas when a market is scattered, it is more efficient, since there is competition among the various firms. (ibid)

### 7th pillar: Labor Market Efficiency

Labor market is efficient when workers are allocated in a productive way and they are provided with incentives in order to be more profit making. Efficient use of labor force is achieved when available talent is used to the highest degree possible, without any discrimination between women and men. Furthermore, labor markets are efficient when they are flexible to move workers from one activity to another in short

time and with low cost and when wages may fluctuate without provoking much social disruption. (ibid)

**8th pillar: Financial Market Sophistication**

A secure and well-functioning financial sector is more than ever significant nowadays that economic crisis has affected economic activity in all matters. Financial market functions efficiently when resources that are stemming from a nation's savings and those that are entering the economy from abroad are perfectly allocated to their most productive use. Moreover, a healthy financial system is not politically connected but it is mainly focused to entrepreneurial or investment projects with the highest rates of revenues possible. The demanded capital for any private sector investment can be provided in different forms such as loans from sound banking sector, well-regulated securities exchange, venture capital and other financial products. However, in recent times, the liquidity in business and the public sector in developed and developing countries are underscored. It is imposing now to establish a trustworthy and transparent banking sector as well as apply appropriate regulation in financial markets so as to protect investors and other actors in the economy at large. (ibid)

**9th Technological Readiness**

It is undisputable that progressive technology is an important element in all firms that aim to high levels of competitiveness and prosperity. This pillar measures how quickly an economy adopts technological changes and evolutions, with the purpose to increase the productivity of its industries. In particular, it includes information and communication technologies (ICT) which contribute to critical spillovers to the other economic sectors and they constitute efficient infrastructure that eases commercial transactions. In that sense, ICT access and usage are essential components of the technological readiness of an economy. (ibid)

With regards to the effect of technology on a country's level of competitiveness, it is of minor importance whether technology develops domestically or out of national borders. The effect on competitiveness is the same irrelatively where technology sources from. Particularly, transfer of technology through Foreign Direct Investments plays a key role in developing countries. It is really worrisome that, although from 2004 and during the next four years FDI was increasingly growing, from 2008 on, it

met a great deterioration. This dramatic change has happened due to the shortages in finance and a more-risk-averse attitude of business. (ibid)

**10th pillar: Market Size**

The size of the market is very significant too, since it affects productivity, trade balance and, thus, competitiveness. When markets are large, namely they are located in a widespread geographic position, as well as when they have transactions with other countries, there is greater potential for firms to exploit economies of scale. In general, trade has a positive effect on growth, and this becomes more intense in countries with small domestic markets. Usually in small countries, international markets substitute domestic ones. In this case, exports, as a substitute for domestic demand, may determine the size of the market for the firms of a country. (ibid)

Nowadays, in order to recover from downturn, countries should increase the amount of goods that they purchase from each other. Therefore, demand will be stimulated. A way to facilitate this procedure is through further lowering barriers to trade. (ibid)

Since market size is measured both by domestic and foreign market, the economies that meet comparative advantage are those that are export driven and belong to a common market (such as the European Union economies).

**11th pillar: Business Sophistication**

Business sophistication, equally to innovation, which will be analyzed in the next paragraph, is essential to the promotion of competitiveness in a country that is at an advanced stage of development. After the completion of the first two stages of development, the basic sources of production are almost exhausted. Therefore, business sophistication is introduced to provide higher efficiency in the production of goods and services. This term concerns, at the macroeconomic level, the quality of a country's business networks and, in the microeconomic level, the quality of firms' operation and strategies. Efficiency is enhanced when companies and suppliers from a particular sector are interconnected in geographically proximate groups, the so called "clusters". In this way there are more opportunities for innovation, decrease of barriers to firms to enter the branch and competition is increased. Regarding the firms individually, strategies as branding, marketing, value chain and production of unique

products, lead to sophisticated and modern business processes, and, thus, firms become more competitive. (ibid)

**12th pillar: Innovation**

The last pillar that plays a catalytic role to a country's competitive attitude is innovation. There is no question that all the above factors, when they function efficiently, may increase a country's competitiveness. There are substantial gains acquired by implementing policies to improve institutions, build infrastructure of better quality, reduce macroeconomic instability and improve human capital, financial and goods market efficiency; still, all these factors eventually bring diminishing returns. When economies are more developed, they tend to have less reliance on foreign capital and knowledge, so the adaption of exogenous technologies is almost disappeared. In this stage, innovation is necessary to provide a comparative advantage to an economy and improve living standards in the long run (see World Economic Forum, The Global Competitiveness Report 2009-2010, p.2-8).

## 2.1 Competitiveness In Serbia

According to the World Economic Forum report, Serbia recorded low levels of competitiveness over the period 2011-2012. Serbia ranks 95th out of 142 countries with score 3.9, indicating that is not so competitive at the moment. This year, Serbia has improved its position comparing to the previous Forum report and by observing the 3 sub indices of the GCI, we can remark that it is ranged better in the sub-indexes of Basic requirements and efficiency Enhancers (positions no 88th and no 90th respectively) whereas it appears to have worsened its ranging by the criteria of innovation and sophistication of operations and enterprise strategies (from 107 in 2010 to 118 in 2011).

In comparison to the previous years, Serbia's rankings have improved, regarding **infrastructure** (from 107 in 2009; to 93 in 2010, to 84 in 2011) and **macroeconomic environment** (from 111 in 2009; to 109 in 2010, to 91 in 2011). This year, Serbia has noted significant improvement in **technological readiness** (from 80 in 2010, to 71 in 2011) and a slight one in market size (from 72 in 2010, to 70 in 2011).

The two factors that Serbia keeps on ranking worse year by year are **business sophistication (**from 102 in 2009 to 125 in 2010, to 130 in 2011), and **labor efficiency** (decline from 85 in 2009 to 102 in 2010; and then to 112 in 2011). Moreover, Serbia continues to register a decline in terms of **innovation**, (from 80 in 2009 to 88 in 2010, to 97 in 2011) , **goods market efficiency** (from 112 in 2009 to 125 in 2010, to 132 in 2011) and **institutions** (from 110 to 120 in 2010, but then only decline of one place – from 120 to 121 in 2011).

An unexpected decline is appeared at some factors in which Serbia used to rank well. These are the pillars of **higher education and training** (from 74 to 81), as well as **health and primary education** (from 50 to 52). If this trend continues, this might be a worrisome sign for the imminent future.

With a meticulous look at the GCI index, we could observe that Serbia marks notable competitive advantages in terms of **fixed telephone lines** (26$^{th}$ position out of 142 countries), **tertiary education enrollment rate** (50/142), **total tax rate** (50/142), **time required to start a business** (51/142), **redundancy costs** (50/142), **legal rights index** (20/142) and **internet bandwidth** (34/142).

Table 3: **Serbian Competitiveness**

| YEAR | GC Rank | GCI |
|---|---|---|
| **2011-2012(out of 142)** | **95** | **3.9** |
| 2010-2011 (out of 139) | 96 | 3.8 |
| 2009-2010 (out of 133) | 93 | 3.8 |
| 2008-2009 (out of 134) | 85 | 3.9 |

(Sources: World Economic Forum, GCR 2009-2012)

In the following section, we will analyze one by one the factors that determine competitiveness in Serbia in relation to their efficiency or standing as obstacles to the development of Serbian economy.

Table 4: **Competitiveness pillars in Serbia**

| **YEAR** | 2011 Rank (out of 142) | 2010 Rank (out of 139) | 2011 Score (1-7) | 2010 Score (1-7) |
|---|---|---|---|---|
| **Basic Requirements** | **88** | **93** | **4.3** | **4.1** |
| Institutions | 121 | 120 | 3.2 | 3.2 |
| Infrastructure | 84 | 93 | 3.7 | 3.4 |
| Macroeconomic Environment | 91 | 109 | 4.5 | 4.0 |
| Health and primary education | 52 | 50 | 5.8 | 6.0 |
| **Efficiency enhancers** | **90** | **93** | **3.7** | **3.7** |
| Higher Education and training | 81 | 74 | 4.0 | 4.0 |
| Goods market efficiency | 132 | 125 | 3.5 | 3.6 |
| Labor market efficiency | 112 | 102 | 3.9 | 4.1 |
| Financial market development | 96 | 94 | 3.7 | 3.8 |
| Technological Readiness | 71 | 80 | 3.6 | 3.4 |
| Market Size | 70 | 72 | 3.6 | 3.6 |
| **Innovation and Sophistication factors** | **118** | **107** | **3.0** | **3.0** |
| Business Sophistication | 130 | 125 | 3.1 | 3.2 |
| Innovation | 97 | 88 | 2.9 | 2.9 |

(Sources: World Economic Forum, GCR 2012, GCR 2011)

## 2.2 Competitive Advantages of Serbia

Within the group of ‘’Basic Requirements’’, the only pillar that makes a distinction indicating that Serbia is more competitive is **Health and primary education**. In these sectors Serbia holds the 52th position since it is more advanced in maths, reading and science, while other south-eastern economies are low achievers in these subjects. An increase in expenditures for Health and Primary Education could further improve Serbia’s competitiveness (see GCR, 2010-2011, USAID, 2008).

Regarding the Efficiency Enhancers indicators, we could observe that Serbia does not perform well. The only factor that is relatively in a good level is **Higher Education and Training** although it ranks lower than last year. This could be attributed to the low training of employees. Staff training is the worst ranking sub-indicator in this pillar (132$^{nd}$ position). However, Higher Education is in a good level. Since 2001, universities in Serbia have produced around 35,000 graduates, 1,000 masters of Science and almost 400 PhDs annually. In comparison to neighboring countries, Serbia's technical education is very strong, while Serbian engineers are well-known for their expertise. In addition, Serbia boasts for a high level competence in English speaking. It is estimated that 48% of the literate population has at least a basic knowledge of the English language (see, SIEPA, Invest in Serbia, 2011, p. 6, Investment Guide to Serbia, 2010, SIEPA, p.6-7).

It has to be mentioned that in the recent years, rapid advances in communication technologies have facilitated collaboration between higher education institutions of different countries. However, in Serbia, there had been insufficient funding for research programs that could make further inter-institutional collaboration feasible (see Ćirić, Maja; Đurđić, Sanja, 2009, p. 15).

Furthermore, **Market size** is in a relatively good level, standing in the 70$^{th}$ position in global ranking. Domestic market size improved after the ending of war conflicts and political instability in the region. Regarding foreign market size, it increased after the cancellation of economic sanctions against Serbian economy and the signing of free trade agreements with neighboring and EU countries. Serbia is geographically well located linking western to European economies. There is potential for further improvement but the rankings during the last couple of years show that there is no significant progress, at least domestically. In 2008, market size pillar ranked 65$^{th}$, with domestic market size holding the 61$^{st}$ position and foreign market size the 84$^{th}$ position. This year's GCI report indicates that Serbian domestic market size has dropped 9 positions whereas foreign one improved and is now 7 positions higher in comparison to 2008 rankings. (77$^{th}$) This serves as a proof that Serbia is gradually opening up its economy and establishes close ties with trade partners across the globe. (see World Economic Forum GCI Reports 2008, 2012).

Although **Innovation** is essential in developed economies, Serbia, that is a medium developed efficient driven economy, marks a relatively good performance in terms of innovation. It ranks 97th, 9 positions lower than last year. This might be attributed to the fact, that due to economic crisis, there was no need for innovation in plagued industries. Serbia owns a high quality of scientific research institutions and high availability of scientists and engineers. Although the most talented individuals out-migrate to more developed economies, there is still considerable progress in this sector. These significant high levels of research and innovation can set the basis for further development and long-term sustainable economic growth in Serbia. (see Stojkovi; Stojanovi; Boinovi, 2009, Markovic, p, 277, 2010).

## 2.3 Competitive Disadvantages of Serbia

Despite the above competitive advantages that seem promising for the future development of Serbia there are also many disadvantages are standing as obstacles to the promotion of competitiveness and the improvement of business environment. The most serious problems are numerous **institutional weaknesses**. Corruption and inefficient government bureaucracy insist on hampering development. The government policy making is considered to be among the least transparent in the world, while weak property rights and slow moving courts hinder competitiveness and ease of doing business in Serbia. According to the GCI report, Serbia ranks 121st with respect to institutions quality (see Markovic Ivan, p.277, 2010). Serbia is placed in the ten worst ranked countries in terms of Protection of minority shareholders' interests (140th), Efficiency of legal framework in settling disputes (137th), Efficiency of corporate boards (136th), and Burden of government regulation (134th).

Apart from institutional problems, there are also many **Infrastructure** inadequacies. Although infrastructure has slightly upgraded during the last years, bringing Serbia in 84th position from 93rd that it was last year, there is still much progress to be done to reach a remarkable position. Undoubtedly, the low level of competitiveness is partially a result of low quality technological infrastructure as well as under developed utility and transportation infrastructure. Serbia lags to a great extent in terms of port infrastructure quality, ranking 133rd, and air transport infrastructure

quality, ranking 132nd. The quality of roads too is not so good, ranking 123rd, while quality of railroad infrastructure is slightly better, ranking 93rd. However, the quality of the electric supply and the telecommunication networks are good, lifting Serbia's position (see The World Economic Forum, GCI Report 2012).

Regarding the development of infrastructure in Serbia, there is remarkable assistance with loans by the World Bank, the EBRD and other International Financial Institutions. The main infrastructural projects that are currently in progress are Corridor 10, South Stream gas pipeline, Banatski Dvor gas storage facility, Belgrade Road Bypass and Ada Bridge (see SIEPA, Investment Guide to Serbia, p. 36-37, 2010).

Equally, **Macroeconomic Environment** in Serbia is still problematic, ranking only 91st, with the indicator of national savings ranking 123rd. The primary weaknesses of the Serbian economy are the large current account deficit and the high level of inflation. According to the National Bank of Serbia, inflation (in consumer prices) amounted for 9.3% in the third quarter of 2011, and decreased to 8.7% as estimated in October 2011 (National Bank of Serbia, World Fact Book). Registered unemployment is a serious problem, as in the end of 2010 it amounted 19.2% and in the second quarter of 2011, it reached 22% (see National Bank of Serbia, 2011).

However, it performs relatively well, though not well enough to qualify as a competitive advantage, in the government budget balance. Taking into account the global recession and the current finance situation, macroeconomic stability is hard to be achieved; it could only be accomplished, when there would be potential for investment in productivity and a steady rise in wages and material well-being (see USAID, 2009, World Economic Forum, GCR 2011-2012). However, according to the Transition report 2011, there has been a slight recovery from the crisis during the last year, and the economy is expected to grow in 2011. A new programme undertaken by the International Monetary Fund (IMF) will help safeguard macroeconomic stability, but further efforts are required to reduce public spending and put pension commitments on a more sustainable base (see Transition Report 2011, EBRD, p.152).

Within this group, Serbia is characterized by not so good performance in **goods market efficiency (132th position)**. This is attributed to high costs of production and the existence of non-competitive products. Furthermore, the absence of local competition (ranks 136$^{th}$), low buyer sophistication (136$^{th}$), the lack of an effective anti-monopoly policy (137$^{th}$) and the low extent of market dominance (139$^{th}$) hinder once more competitiveness in Serbia (see World Economic Forum, GCR, 2010-2011, GCR 2011-2012).

With regard to **labor market efficiency** and quality of human resources, Serbia does not perform well, holding the 112th position. The Serbian labor market is characterized by high unemployment, particularly for women and young people. This stems from the weakness of the secondary educational system to adapt to the needs of the labor market and from the obsolete skills of the long-term unemployed individuals. Lack of cooperation in employee-employer relations (136$^{th}$) and small reliance on professional management (139$^{th}$) make matters even worse. In spite of the fact that labor mobility is low in Serbia, outward migration is very high and an important share of national income concerns remittances. What's more, brain drain, a new phenomenon for this country, has become an important issue in the recent years. However, it only ranks 139$^{th}$ according to the GCI report.

With the purpose to improve the efficiency of labor market, several reforms were put into practice. In 2007, the administration of health insurance was separated from the National Employment Service; thus procedures and time needed to be serviced turned to less complicated than in the past. More dynamic policies should be applied; still, transition, which has brought structural problems to labor market, and the current crisis are obstacles to further reforms (see Gligorov,Vidovic, p.v (executive summary), May 2011)

As Serbia used to be a country relied on heavy industry, it is expected that labor force is mainly expertised in technical and engineer sector. This high quality labor force, in combination with low labor costs, could reach a strong business performance. However, what lacks from Serbian business environment is qualified professional management; it is imposing to introduce education and training to this field. In addition to this, stronger antimonopoly policies should be implemented. Thus,

competition will increase in the market and, by default, there will be demand for professional management (see SIEPA, Investing in Serbia, p. 4, 2009).

Regarding **financial market,** due to the global economic crisis, it is still in a bad condition. The main characteristics of Serbian financial market are illiquidity and difficult access to capital. Real fiscal revenues grow slower than the expenditures and this leads to relatively high budget deficit in comparison with gross domestic product. (see Markovic, 2010, p.277). Moreover, the banking sector remains liquid and annual private sector credit growth has begun to pick up slowly, with the assistance of a government's loan subsidies program. However, the ratio of nonperforming loans in total loans continued to deteriorate in the first half of 2011 and it is estimated that in April 2011, it reached 17.4% (see EBRD, Transition report, p. 152, 2011)

With respect to **technological readiness,** Serbia definitely lags behind other countries. Although it seems to have been improved since last year, ranking now 71$^{st}$ from previously 80$^{th}$, still the technology sector in Serbia is characterized by a small size, segregated industry and lack of specialization,. Firm-level technology absorption is very low and holds the 136$^{th}$ position in the global ranking. This is a result of low import of technologies, serious crisis that hit metallurgy and machine industry and extremely bad condition of science in general (see Hanic, Ngomal, Vukelic, Eric, Domazet, p.44, 2010). It is reported that the processing industry, metal manufacturing and electronics are the least competitive as there has been no technological renewal in these sectors for years. It is necessary to apply customs and tax relaxations, as well as a reduction in administrative charges and prices for gas, fuel and electrical power. Moreover, the level of technological equipment should be increased (see Djordjevic, Cockalo, Bogetic, p.517, 2011).

As far as **Business sophistication** is concerned, Serbia is from the least competitive countries examined to the GCI report. It holds the 130$^{th}$ position, and this is reasonable as this country is still in a transition process and an efficiency driven economy. It has not yet reached the level of development that requires Innovation and Sophistication factors. More precisely, the nature of competitive advantage indicator shows that Serbia lags in this factor (136$^{th}$) and the willingness to delegate authority is extremely low (136$^{th}$). To make matters worse, there is little company spending on

Research and Development. This is attributed to the slight existence of professional management and researchers and the relatively low quality of local competition. Furthermore, there is lack of branch clusters, although significant projects have been into practice to create this kind of business networks (see Markovic, p.277, 2010).

## 2.4 Serbian Competitiveness in Comparison to the Balkans12 and the EU27 Average

In comparison to the other Balkan states' average on Global Competitiveness ranking, Serbia performs well in terms of Health and Primary Education (lagging behind only Croatia) as well as in Market Size, fore heading all Western Balkans regions. However, amongst the Balkans, Serbia notes the worst performance with regards to Institutions, Goods market efficiency and Business sophistication. Serbian Labor Efficiency falls behind the other states' to a lower degree, while it ranks better than Turkey and Croatia. Infrastructure in Serbia is considered to be better than in FYROM, BiH and Moldova. Regarding the rest of the pillars, Serbia is relatively close to the average of the other republics. It is remarkable that although Business Sophistication is very low, innovation is very close to the Balkans' average.

In comparison to the EU average, Serbian competitiveness ranks worse with difference from 30 to 91 positions. The only factor which does not differ significant from the EU average is Macroeconomic environment as, due to the global crisis, all European countries face serious problems. It is remarkable that Serbia overheads in this dimension Portugal, Italy, Hungary and Greece. Moreover, Labor's Efficiency in Serbia is better than in Greece, Spain, Portugal and Italy. Although Infrastructure is inadequate, its quality is better in this country than in Bulgaria and Romania. Market size is a significant competitive advantage for Serbia, and it is proven by its better ranking than certain EU countries: Estonia, Cyprus, Malta, Lithuania and Latvia. The Serbian Financial Market foreheads Ireland, Slovenia and Greece, whereas Health and Primary Education's quality is higher than in Latvia, Bulgaria and Romania. On the contrary, Serbia lags behind these countries to a large degree in terms of Institutions, Goods Market Efficiency and Business sophistication. In general, Business Sophistication ranks worse in Serbia than in all the European countries examined in the GCI report.

Table 5: **Serbian Competitiveness in Comparison to the EU and the Balkans average from 2008-2012**

| YEAR | GC Rank | GCI | Average Rank EU | Average Score EU | Average Rank Balkans | Average Score Balkans |
|---|---|---|---|---|---|---|
| **2011-2012 (out of 142)** | **95** | **3.9** | **37** | **4.71** | **78.17** | **4.08** |
| 2010-2011 (out of 139) | 96 | 3.8 | 36.04 | 4.73 | 76 | 4.06 |
| 2009-2010 (out of 133) | 93 | 3.8 | 34.74 | 4.70 | 75 | 4 |
| 2008-2009 (out of 134) | 85 | 3.9 | 34.30 | 4.75 | 77.17 | 3.99 |

(Sources: World Economic Forum, GCR 2009-2012)

Table 6: **Competitiveness pillars in Serbia in comparison to the EU and the Balkans average**

| | 2011 Rank (out of 142) | 2010 Rank (out of 139) | 2011 Score (1-7) | 2010 Score (1-7) | Average Rank Balkans | Average Score Balkans | Average Rank EU | Average Score EU | Difference by the Balkans | Difference by the EU |
|---|---|---|---|---|---|---|---|---|---|---|
| **Basic Requirements** | **88** | **93** | **4.3** | **4.1** | **73.08** | **4.51** | **37.15** | **5.21** | (14,92) | (50,85) |
| Institutions | 121 | 120 | 3.2 | 3.2 | 87.17 | 3.65 | 46.3 | 4.6 | (33,83) | (74,7) |
| Infrastructure | 84 | 93 | 3.7 | 3.4 | 71.17 | 3.93 | 33.78 | 5.08 | (12,83) | (50,22) |
| Macroeconomic Environment | 91 | 109 | 4.5 | 4.0 | 78 | 4.63 | 61.52 | 4.97 | (13) | (29,48) |
| Health and primary education | 52 | 50 | 5.8 | 6.0 | 58.92 | 5.80 | 29.56 | 6.21 | **6,92** | (22,44) |
| **Efficiency enhancers** | **90** | **93** | **3.7** | **3.7** | **74** | **3.95** | **32.52** | **4.66** | (16) | (57,48) |
| Higher Education and training | 81 | 74 | 4.0 | 4.0 | 65.17 | 4.28 | 28.26 | 5.08 | (15,83) | (52,74) |
| Goods market efficiency | 132 | 125 | 3.5 | 3.6 | 82.33 | 4.09 | 41.37 | 4.61 | (49,67) | (90,63) |
| Labor market efficiency | 112 | 102 | 3.9 | 4.1 | 88.58 | 4.13 | 56.44 | 4.48 | (23,42) | (55,56) |
| Financial market development | 96 | 94 | 3.7 | 3.8 | 88.50 | 3.83 | 50.22 | 4.44 | (7,5) | (45,78) |
| Technological Readiness | 71 | 80 | 3.6 | 3.4 | 57.17 | 3.96 | 26.44 | 5.07 | (13,83) | (44,56) |
| Market Size | 70 | 72 | 3.6 | 3.6 | 78.83 | 3.46 | 49.48 | 4.31 | **8,83** | (20,52) |
| **Innovation/ Sophistication factors** | **118** | **107** | **3.0** | **3.0** | **89.92** | **3.30** | **37.37** | **4.33** | (28,08) | (80,63) |
| Business Sophistication | 130 | 125 | 3.1 | 3.2 | 89.83 | 3.65 | 38.48 | 4.62 | (40,17) | (91,52) |
| Innovation | 97 | 88 | 2.9 | 2.9 | 89 | 2.96 | 37.89 | 4.05 | (8) | (59,11) |

(Sources: World Economic Forum, GCR 2012, GCR 2011)

## 3. Ease of Doing Business Indicators

The analysis of the numerous competitive disadvantages shows that the ease of doing business in Serbia is hampered to a great degree by various internal and external factors. However, there will follow a description of the conditions existing in starting, operating and closing a business and some conclusions will be drawn about which areas are more promising for the improvement of business climate in this country.

Based on the annual publication of World Bank, the Doing Business survey, first we will present the 10 indicators that determine the quality of business environment and then we will assess the efficiency of each one with regards to doing business in Serbia

The EDB survey demonstrates regulations and obstacles to doing business while it allows its comparison across 183 economies. The purpose of the survey is to offer to business leaders and policy makers a base for information and policy making. Moreover, it provides open data for research on how business regulations and institutions affect economic outcomes such as productivity, investment, informality, corruption, unemployment and poverty (see World Bank, Doing Business report, 2011).

In order to calculate the index of each economy, we take the ranking on the simple average of its percentile rankings on each of the 10 indicators included in the index in Doing Business 2012: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency (formerly: closing a business). The ranking of each indicator is the average of the percentile rankings on its sub-indicators. The sub-indicators may be calculated in indices, time, currency, or in other unit of measurement.

Table 7: **Ease of Doing Business Indicators**

| INDICATORS | SUBINDICATORS |
|---|---|
| **Starting a business** | Procedures, time, cost and paid-in minimum capital to open a new business |
| **Dealing with Constructions** | Procedures, time and cost to obtain construction permits, inspections and utility connections |
| **Getting Electricity** | Procedures, time and cost to obtain electricity connection |
| **Registering Property** | Procedures, time and cost to transfer commercial real estate |
| **Getting Credit** | Strength of legal rights index, depth of credit information index |
| **Protecting Investors** | Strength of investor protection index: extent of disclosure index, extent of director liability index and ease of shareholders suits index |
| **Paying Taxes** | Number of tax payments, time to prepare and file tax returns and to pay taxes, total taxes as a share of profit before all taxes borne |
| **Trading Across Borders** | Documents, time and cost to export and import |
| **Enforcing Contracts** | Procedures, time and cost to resolve a commercial dispute |
| **Resolving Insolvency (Closing a business)** | Recovery rate of bankruptcy |

(Source: World Bank, Doing Business Report 2012)

The first indicator is "**starting a business**" and it records all the procedures that are officially required to start up and formally operate an industrial or commercial business. The necessary procedures to start a business are to obtain all necessary licenses and permits as well as to complete any required notifications, verifications or inscriptions with relevant authorities. The ranking on the ease of starting a business is calculated as the simple average of the percentile rankings on its 4 sub- indicators: Number of Procedures to legally start and operate a company, days required to complete each procedure, cost required to complete each procedure, (% of income per capita) and paid-in minimum capital (% of income per capita) (from now on see World Bank, Doing Business Report, p.42-58, 2012).

The second indicator is "**Dealing with construction permits**" and it concerns all the procedures required for a business in the construction industry so as to build a standardized warehouse. These procedures include the submission of all relevant project-specific documents to the authorities, the acquisition of all necessary clearances, licenses, permits and certificates. Furthermore, this stage includes the completion of all required notifications and the reception of all necessary inspections. This indicator is based on 3 sub-indicators: Number of Procedures needed to legally build a warehouse, days required to complete each procedure and cost required to complete each procedure (% of income per capita)

The third indicator concerns "**Electricity Connection".** It is based on all procedures required for a business to obtain permanent electricity connection and supply. These procedures include applications and contracts with electricity utilities, all necessary inspections and clearances from the utility and other agencies and the external and final connection works. The ranking on the ease of getting electricity is equal to the simple average of the percentile rankings on its component indicators, namely procedures, time and cost required to complete each procedure. (ibid)

The fourth indicator of Doing Business is "**Registering Property**". In this stage, Doing Business indicates the full sequence of procedures that are necessary to transfer property between two local companies. The process starts with obtaining the necessary documents, such as a copy of the seller's title, and conducting due diligence if required. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property as collateral for a bank loan or resell it. The ranking on the ease of registering property is measured as the simple average of the percentile rankings on the 3 component indicators: number of procedures to legally transfer title on immovable property, days required to complete each procedure and cost required to complete each procedure (% of property income).

The fifth indicator is "**Getting Credit**" for business. It concerns the legal rights of borrowers and lenders. One set of sub-indicators includes secured transactions and another one the sharing of credit information. The first set describes to what degree collateral and bankruptcy laws facilitate lending. The sub-indicators of this set are: the strength of legal rights index (0-10), which includes protection of rights of borrowers and lenders through collateral laws, protection of secured creditors' rights through

bankruptcy laws, depth of credit information index (0-6), including the scope and accessibility of credit information distributed by public credit registries and private credit bureaus. The second set's sub-indicators are: Public credit registry coverage (% of adults), which means the number of individuals and firms listed in public credit registry as percentage of adult population, and private credit bureau coverage (% of adults), meaning the number of individuals and firms listed in largest private credit bureau as percentage of adult population. This set measures the coverage, scope and accessibility of credit information available through public credit registries and private credit bureaus. The ranking on the ease of getting credit is the simple average of the percentile rankings on its component indicator. It has to be noted that Public credit registry coverage and Private credit bureau coverage are measured but they do not count for the rankings. (ibid)

The sixth indicator is "**Protecting Investors**" and it measures the strength of minority shareholder protections against directors' misuse of corporate assets for personal gain. The indicators distinguish 3 dimensions of investor protections. The first sub-indicator concerns the "extent of disclosure Index"; it rates from 0-10 and indicates the transparency of related-party transactions. The second sub-indicator is relative to the "extent of director liability index"; it shows the ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction, as well as the available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction). Moreover, it mirrors the ability of the shareholders to sue directly or derivatively officers and directors for misconduct. The third sub-indicator is the ease of shareholder suits (index 0-10) and it refers to documents and information available during trial and access to internal corporate documents (directly or through a government inspector). Furthermore, there is one more sub- indicator (Strength of investor protection index 0-10) but it is not used to calculate Protection investors' ranking. The ranking on the strength of investor protection index is the Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices. (ibid)

The seventh indicator is "**Paying taxes**" and concerns the taxes and mandatory contributions that a medium-size company must pay in a given year and the measures of the administrative burden with regards to the payment of taxes and contributions. The ranking on the ease of paying taxes is the simple average of the

percentile rankings on its sub-indicators. The first one concerns "tax payments for a manufacturing company in 2010" (number per year adjusted for electronic or joint filing and payment) and includes the total number of taxes and contributions paid, including consumption taxes (valued added tax, sales tax or goods and service tax). Moreover, this indicator relates the method and frequency of filing and payment. The second component indicator of paying taxes is the "Time required to comply with three major taxes" (hours per year). It concerns the procedures of collecting information and computing the tax payable, completing tax return forms and filing with proper agencies. Furthermore, it includes the arrangements of payments or withholding s as well as the preparation of separate tax accounting books, if required. Finally, the "Total tax of rate" (% of profit) sub-indicator includes the profit or corporate income tax, the mandatory social contributions and labor taxes paid by the employer, the property and property transfer taxes, the dividend capital gains and financial transactions taxes as well as waste, collection, vehicle, road and other taxes.

The eighth indicator of Doing Business, "**Trading across Borders**" refers to the exporting and importing of a standardized cargo of goods by ocean transport. Every official procedure and all documents for exporting and importing the goods is recorded—from the contractual agreement between the 2 parties to the delivery of goods—along with the time and cost necessary for completion. For exporting goods, procedures range from packing the goods at the warehouse to their departure from the port of exit. For importing goods, procedures range from the vessel's arrival at the port of entry to the cargo's delivery at the warehouse. The time and cost for ocean transport are not included. Payment is made by letter of credit, and the time, cost and documents required for the issuance or advising of a letter of credit are taken into account. The ranking on the ease of trading across borders is the simple average of the percentile rankings on its component indicators. (ibid)

The sub-indicators of "Trading across Borders" measure: firstly, the number of documents required to export and import, namely bank documents, customs clearance documents, port and terminal handling documents, transport documents. Secondly, the days required for exporting and importing. This means the time that is needed to obtain all the documents, inland transport and handling, customs clearance and inspections, port and terminal handling. Only the ocean transport time is not included. Finally, what is measured is the cost required to export and import (US $ per

container). This last sub-indicator includes all documentation, inland transport and handling, customs clearance and inspections, port and terminal handling; only official costs are included, whereas bribes are not taken into account. (ibid)

The ninth indicator is called "**Enforcing Contracts**" and it measures the efficiency of the judicial system in resolving a commercial dispute. The ranking on the ease of enforcing contracts is the simple average of the percentile rankings on its 3 component indicators, which are: The number of procedures to enforce a contract: this includes any interaction between the parties in a commercial dispute, or between them and the judge or court officer, the steps required to file the case, as well as the steps for trial and judgment and the steps to enforce the judgment; The days required to complete procedures. This sub-indicator includes the time required to file and serve the case, then the time for trial and obtaining judgment and finally the time to enforce the judgment. Finally, the last sub-indicator refers to the cost required to complete procedures (% of claim). It does not include bribes, but only the average attorney fees, the court costs, expert fees and enforcement costs. (ibid)

The last indicator of Doing Business is **"Resolving Insolvency**" or, as until last year was called, "Closing a Business". It concerns the necessary proceedings that ensure the survival of economically efficient companies or the reallocation of resources to inefficient ones. Fast and low cost insolvency proceedings result in speedy return of business to normal operation and, thus, creditors acquire increased returns. When insolvency systems function well, there are better expectations of creditors and debtors about the outcome of closing a business. Moreover, there is easier access to finance, more viable businesses are saved and, thereby, growth and sustainability is improved (see World Bank, Doing Business Report, p.42-58, 2012).

Resolving Insolvency is defined by the time, cost and the result of bankruptcy proceedings that take place to domestic entities. In general, the closing business sub-indicators are: the Time required recovering debt and is measured in calendar years. The second sub-indicator is the cost required to recover debt (is recorded as % of debtor's estate), which includes the court fees, the fees of insolvency administrators, the lawyers' fees, as well as the assessors' and auctioneers' fees. The third sub-indicator of Resolving Insolvency is the recovery rate for creditors. The calculation of the ranking of ease of doing business is based only on this one sub-indicator.

Recovery rate measures the cents on the dollar recovered by creditors, and it is a function of time, cost and other factors such as lending rate and the possibility of the company to continue to operate. (ibid)

It has to be mentioned that in the last two years' ranking of the ease of Doing Business, one indicator set was not included. In particular, the employing workers indicator was omitted. The reason for this is that this set's methodology is being refined (see World Bank, Doing Business Report, p. 129, 2011).

## 3.1 Ease of Doing Business in Serbia

Currently the unfavorable ranking of Serbia in terms of doing business is apparent in a great number of factors. In the following, the performance of each indicator in Serbia will be presented with the purpose to point out some promising factors for future development of business in Serbia as well as the problematic conditions that do not permit the establishment of an attractive business environment.

Doing business in Serbia is not that easy as the World Bank survey indicates; In the ends of 2011, Serbia ranks 92nd out of 183 countries, dropping three places since last year, in terms of **Ease of Doing Business**.

Table 8: **Doing Business in Serbia 2012**

| **SERBIA** | | Eastern Europe & Central Asia | | GNI per capita (US$) | 5,820 |
|---|---|---|---|---|---|
| Ease of doing business (rank) | 92 | Upper middle income | | Population (m) | 7.3 |
| **Starting a business** (rank) | 92 | ✔ **Registering property** (rank) | 39 | **Trading across borders** (rank) | 79 |
| Procedures (number) | 7 | Procedures (number) | 6 | Documents to export (number) | 6 |
| Time (days) | 13 | Time (days) | 11 | Time to export (days) | 12 |
| Cost (% of income per capita) | 7.8 | Cost (% of property value) | 2.8 | Cost to export (US$ per container) | 1,433 |
| Minimum capital (% of income per capita) | 6.0 | | | Documents to import (number) | 6 |
| | | **Getting credit** (rank) | 24 | Time to import (days) | 14 |
| **Dealing with construction permits** (rank) | 175 | Strength of legal rights index (0-10) | 8 | Cost to import (US$ per container) | 1,609 |
| Procedures (number) | 19 | Depth of credit information index (0-6) | 5 | | |
| Time (days) | 279 | Public registry coverage (% of adults) | 0.0 | **Enforcing contracts** (rank) | 104 |
| Cost (% of income per capita) | 1,603.8 | Private bureau coverage (% of adults) | 100.0 | Procedures (number) | 36 |
| | | | | Time (days) | 635 |
| **Getting electricity** (rank) | 79 | **Protecting investors** (rank) | 79 | Cost (% of claim) | 31.3 |
| Procedures (number) | 4 | Extent of disclosure index (0-10) | 7 | | |
| Time (days) | 131 | Extent of director liability index (0-10) | 6 | ✔ **Resolving insolvency** (rank) | 113 |
| Cost (% of income per capita) | 545.7 | Ease of shareholder suits index (0-10) | 3 | Time (years) | 2.7 |
| | | Strength of investor protection index (0-10) | 5.3 | Cost (% of estate) | 23 |
| | | | | Recovery rate (cents on the dollar) | 24.4 |
| | | **Paying taxes** (rank) | 143 | | |
| | | Payments (number per year) | 66 | | |
| | | Time (hours per year) | 279 | | |
| | | Total tax rate (% of profit) | 34.0 | | |

(Source: The World Bank, Doing Business 2012)

Table 9: **Doing Business in Serbia 2011**

| **SERBIA** | | Eastern Europe & Central Asia | | GNI per capita (US$) | 5,990 |
|---|---|---|---|---|---|
| Ease of doing business (rank) | 89 | Upper middle income | | Population (m) | 7.3 |
| **Starting a business** (rank) | 83 | **Getting credit** (rank) | 15 | **Trading across borders** (rank) | 74 |
| Procedures (number) | 7 | Strength of legal rights index (0-10) | 8 | Documents to export (number) | 6 |
| Time (days) | 13 | Depth of credit information index (0-6) | 5 | Time to export (days) | 12 |
| Cost (% of income per capita) | 7.9 | Public registry coverage (% of adults) | 0.0 | Cost to export (US$ per container) | 1,398 |
| Minimum capital (% of income per capita) | 6.0 | Private bureau coverage (% of adults) | 100.0 | Documents to import (number) | 6 |
| | | | | Time to import (days) | 14 |
| **Dealing with construction permits** (rank) | 176 | **Protecting investors** (rank) | 74 | Cost to import (US$ per container) | 1,559 |
| Procedures (number) | 20 | Extent of disclosure index (0-10) | 7 | | |
| Time (days) | 279 | Extent of director liability index (0-10) | 6 | **Enforcing contracts** (rank) | 94 |
| Cost (% of income per capita) | 1,821.4 | Ease of shareholder suits index (0-10) | 3 | Procedures (number) | 36 |
| | | Strength of investor protection index (0-10) | 5.3 | Time (days) | 635 |
| **Registering property** (rank) | 100 | | | Cost (% of claim) | 28.9 |
| Procedures (number) | 6 | **Paying taxes** (rank) | 138 | | |
| Time (days) | 91 | Payments (number per year) | 66 | ✔ **Closing a business** (rank) | 86 |
| Cost (% of property value) | 2.7 | Time (hours per year) | 279 | Time (years) | 2.7 |
| | | Total tax rate (% of profit) | 34.0 | Cost (% of estate) | 23 |
| | | | | Recovery rate (cents on the dollar) | 29.5 |

(Source: The World Bank, Doing Business 2011)

## 3.2 Comparative Advantages of Doing Business in Serbia

According to Doing Business 2012 report, Serbia has noted the most remarkable progress in terms of **Registering Property**. In comparison to the last year's holding 100$^{th}$ place, this year the indicator has lifted to the 39$^{th}$ place. The reason of this outstanding improvement is the reduce of time to register property; from 91 days last year, now this operation is completed in 11 days. Precisely, an expedited option made transferring property quicker enabling buyers to use or mortgage their property earlier. Thus, equally to last year, the process of registering ownership requires 6 procedures and costs 2.8% of the property value. Another noteworthy reform in this area took place in 2009, reducing property transfer tax from 5 percent of the property value to 2.5 percent (see World Bank, Doing Business Reports 2009-2012, doing business reforms 2009-2012).

Moreover, Serbia performs very well in terms of **getting credit**. It stands 24$^{th}$, although last year it held a better position (21$^{st}$). Regarding loan granting, Serbia has a

solid position and the indicator has the highest rank among all indicators analyzed by the World Bank experts. This notable position of Serbia globally indicates that regulations and institutions in this country support lending and borrowing. Once an economy strenghthens the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increases the scope, coverage and accessibility of credit information, entrepreneurs gain better access to credit; thus doing business becomes easier and more secure. A significant law on personal data protection applied in 2010, guarantees that borrowers can inspect their own data; thus access to credit information improved to a great extent. Another fact that should be mentioned is that from 2010, entrepreneurs are getting credit for their business only at private bureaus, while until 2008 around 50% of individuals were served in private bureaus. (ibid)

The indicator of **Protecting Investors** occupies a good position despite dropping five positions from last year (it now ranks 79$^{th}$ from 74$^{th}$ last year). This relatively good performance shows that Serbian regulations offer strong investor protection against self-dealing in the areas measured. So far no reforms have been implemented in this field; still new or amended company laws or civil procedure rules should be put into practice in order to attract more potential investors. (ibid)

Furthermore, **Trading across Borders** indicator, in spite of having dropped by 5 places from last year (from 74$^{th}$ to 79$^{th}$), is relatively good since Serbia's geographic location allows it to have trade not only with EU countries but also with other neighboring states of Central Europe, former Yugoslavia as well as with Russia, Belorussia and Kazakhstan. Trade across borders is facilitated with the Free Trade agreements that are signed with these states as well as a Generalized System of preferences with USA. According to data collected by Doing Business, exporting a standard container of goods requires 6 documents, takes 12 days and costs $1,433. Importing the same container of goods requires 6 documents, takes 14 days (from 44 days that were needed in 2006) and costs $1,609. Apart from the Free trade agreement that allows mutual accumulation of origin with Turkey, there were no reforms in this area during the last 3 years. (ibid)

Table 10: **Trade Regimes of Serbia across the world**

| Market | Trade Regime | Nº. of Inhabitants |
|---|---|---|
| European Union | Interim Trade Agreement | 494,070,000 |
| USA | Generalized System of Preferences | 302,558,000 |
| Russia, Belorussia & Kazakhstan | Free Trade Agreement | 168,640,600 |
| CEFTA | Free Trade Agreement | 29,990,542 |
| EFTA | Free Trade Agreement | 13,000,000 |
| Turkey | Free Trade Agreement | 75,000,000 |
| Total | | 1,083,259,142 |

**(**Source: SIEPA, Invest in Serbia, 2011)

Globally, Serbia stands at 79$^{th}$ position in the ranking of 183 economies on the ease of **Getting Electricity**. According to Doing Business Report, getting electricity in Serbia requires 4 procedures, takes 131 days and costs 545.7% of income per capita. (World Bank, Doing Business 2012, Economy profile: in Serbia). According to the EDB report 2012, Serbia stands in a relative good position in terms of electricity provision. The 100% state-owned Electric Power Industry of Serbia is the sole electricity supplier at the moment. The natural availability of hydropower and coal in Serbia results in the lowest price of electricity in Europe, averaging just 0.05 €/kWh (see SIEPA, Investing in Serbia, p. 5, 2011, SIEPA, Investors profile, p. 16, 2011). It is expected that the energy efficiency of Serbia's power distribution network will increase as EBRD has provided a 40 million euro sovereign loan to Serbia's power utility, EPS. Thus, the electricity system will be upgraded and modern smart electricity meters will be installed. The loan is co financed by the EIB which also extended 40 million euro. In this way, the level of electricity losses in the network will be reduced, the bill collection levels will be increased and, at the same time, the company's operational efficiency will be raised. It is estimated that these improvement will transform the electricity network in a modern power grid, by cutting the company's CO2 emissions by approximately 200,000 tones annually (see EBRD, press, 2010).

With regards to **Starting-up a Business**, Serbia dropped 9 places from last year that it was in the 83th position. The time to start a business in Serbia has decreased from 23 days in 2008 to just 13 days in 2011. The business registration procedure has

improved and it typically takes 5 days from previous 23 days. This process can be completed in only 3 days, with additional several days for other procedures. This great improvement in registering a company occurred due to the establishment of the Serbian business Registers Agency, in 2005. With the Law on the Registration of business entities, the process of company registration was shifted from commercial courts and municipalities to the Business Register Agency (SBRA). Previously, the intermediation of courts, made registration procedures long lasting and extremely bureaucratic. On the contrary, nowadays, by a simple visit in SBRA, procedures are simplified; by using the Irish system as a model the system is accessible via Internet, and in this way there is greater legal certainty and saving of time to access useful information. In general, great efforts have taken place in order to ease the procedure of business start-up. In 2010 a one-shop for company registration was created so as to facilitate the starting-up of a business (see Word bank, Doing Business 2012, reforms, World Bank report, p.17-22, 2007)

In addition, a new company law reduced the minimum capital required for limited liability companies (which amount around 90% of all companies in Serbia) from $5,000 to €500 and eased requirements for establishing companies by making the rules more flexible.

Another essential change is with regards to the 5 days deadline to register a company. If no decision is made in 5 days, the applicant is free to begin operations ("silence is consent"). Previously, under the Serbian company law, if the relevant administrative body did not respond in the prescribed time, the decision was negative (see World Bank report, Celebrating Reform, p.17-22, 2007).

However, there are also regulations that might stand as obstacles to doing business. For instance, a new law on court fees was introduced in May 2009, imposing the increase of the fee for notarizing the memorandum of association and the lease contract in all cities. Under this law, companies with a start-up capital of more than RSD 1 million ($ 15,500) have to pay 30% more than they did in 2008 (see World Bank, Doing business in SEE, p. 17, 2011).

## 3.3 Comparative Disadvantages of Doing Business in Serbia

Although some Doing business indicators note a good performance, there are significant disadvantages in this sense that outnumber them.

The worst performance of Serbia in global ranking concerns **Dealing with Construction Permits** (174$^{th}$ position). In order to get various licenses for building, power connection facilities, phone, licenses issued by inspection or other authorities, companies in Serbia encounter 19 procedures whose fulfillment requires approximately 279 days. The cost required to deal with construction permits is 1,60% of income per capita, and it has decreased considerably since 2006, that used to reach 3,90% of income per capita. Still, the procedures are complicated and burdening; thus, mainly foreign investors, are usually discouraged (see Belgrade Banking Academy, Institute of Economic Sciences, 2006). It is strongly believed that the global economic crisis is the right moment to start reforms in this area  So far, not many reforms have been implemented in this dimension. Only in 2009, a new Planning and Construction Law was applied with the purpose of simplifying procedures for the issuance of construction permits and making them transferable between investors during construction. However, in the same year, an administrative backlog at the Belgrade Municipality's Construction Department added 75 days to the time needed to obtain construction permits (see World Bank, Doing Business Reports 2009-2012, doing business reforms 2009-2012)

In terms of **Paying Taxes** Serbia does not perform at all well. It holds the 143$^{rd}$ position, from the 138$^{th}$ that held last year. Serbia belongs to a group of countries characterized by a complex system of taxes and fees. It is noteworthy that the number of annual fees in this country is 66 times (payments), including, apart from preparation, calculation and tax payments, numerous other mandatory payments. To make matters worse, companies in Serbia spend 279 hours per year to complete procedures that concern paying taxes and the whole system is not transparent enough (Belgrade Banking Academy, Institute of Economic Sciences, 2006). The fact that there were no recent reforms in this area makes this indication more worrying for the future.

Regarding **Enforcing Contracts** Serbia's performance deteriorated by 10 places in comparison to last year (from 94th, 104th). One of the most significant obstacles to doing business in Serbia is the inefficiency of the legal system. In order to collect bad debts based on commercial contracts it takes 635 days, while until 2005, 1028 days were required (see World Bank, Doing Business reports, 2005, 2012), requires 36 procedures and the rate of payment from insolvent companies is 31.3% average. (Belgrade Banking Academy, Institute of Economic Sciences, 2006). So far there are no reforms in the area of enforcing contracts although judiciary could be improved in different ways. A lower-income economy as Serbia, could work on reducing backlogs, by introducing periodic reviews to clear inactive cases from the docket and by making procedures faster. (see World Bank, Doing Business report 2011, 2012)

Serbia has also marked a big deterioration with regards to **Resolving Insolvency** (Closing a Business). According to last year's EDB report, it ranked 86th, while this year it ranks 113rd. Resolving insolvency takes 2.7 years on average and costs 23% of the debtor's estate. This low ranking of closing a business indicator can be attributed to the fact that liquidation process after the termination of an enterprise lasts long and costs too much. It is worth mentioning that considerable efforts have been made in order to improve the proceeding of closing a business in Serbia. In 2011, a new bankruptcy law introduced out-of court workouts and a unified reorganization procedure. Apparently, this reform was not so successful; therefore, this year a new law introduces professional requirements for insolvency administrators and regulates their compensation.

## 3.4 Doing Business in Serbia in comparison to the Balkans12 and the EU27 average

In general, with regards to the Ease of Doing Business, Serbia lags to a medium degree behind other Balkan countries. Still, there was significant improvement noted to Serbia just until the outburst of the global crisis.

The weakest performance of Serbia is when dealing with Construction permits. In comparison with the Balkans, Serbia performs much worse. In fact, Serbia foreheads only Albania in this issue. Although Central and Eastern Europe shows improvement in Dealing with Construction permits, in Serbia no significant effort has been noted to face this significant inefficiency to doing business.

Equally, Serbia's ranking is by far behind the average of the Balkans with regards to Paying Taxes and Resolving Insolvency. Despite the bankruptcy law that was applied 2 years ago, no improvement has been noted in the procedure of closing a business. Serbia foreheads Albania and Romania when it comes to Paying Taxes, and Turkey when Closing A Business.

A slighter difference below the Balkans average is noted in terms of Starting a Business and Enforcing Contracts. Regarding Starting a Business, Serbia performs again better than BiH, Greece and Kosovo while it lags behind FYROM in a great extent, and to a lower degree behind Romania and Bulgaria. As for Enforcing contracts Serbia foreheads Montenegro, BiH and Kosovo. In terms of Protecting Investors Serbia's ranking is slightly below the average of the Balkans.

However, in some procedures Serbia ranks much better than the Balkans. Entrepreneurs are much more satisfied in Serbia when they apply for Getting Electricity, Getting Credit and Trading across Borders. In terms of Trading across Borders Serbia foreheads Croatia as well as Turkey, Bulgaria, Greece, Kosovo and BiH. The most notable progress was noted this year in Registering Property in Serbia, as well as in Slovenia and Romania.

With regards to EU, Ease of Doing Business in Serbia ranks worse to a considerable degree. Serbia foreheads only Greece in terms of Ease of doing Business. Another factor that Serbia needs immediately to reform is in terms of Dealing with

Construction permits as it marks an extremely large distance from the EU's average. Moreover, Closing a Business is a significant problem in Serbia and it lags to a great degree behind EU countries. Despite its strategic geographic location Serbia performs really inefficiently in Trading Across borders in comparison to EU and it foreheads only Slovak Republic. Although the procedure of Enforcing Contracts is regarded as not very transparent, Serbia foreheads in this dimension Italy and Cyprus.

In terms of Starting a Business Serbia notes a smaller difference from the EU average. It is remarkable that in this matter Serbia ranks better than Spain, Poland, Lithuania, Greece and Czech Republic.

The most outstanding ranking is in Getting Electricity. This places Serbia higher than Belgium, Bulgaria, Cyprus, Czech Republic, Hungary, Ireland and Italy. With regards to Paying taxes, Serbia lags behind EU to a great degree while it foreheads only Romania.

In general, the Protection of Investors has improved during the last years in the Balkan region. Thus, Serbia has reached to overhead countries such as Germany, Austria, Switzerland and Luxembourg. In the two latter, the difference is really noteworthy. With Serbia ranking 79th, the respective rankings to these countries are: Germany 97$^{th}$, Austria 133$^{rd}$, Switzerland 166$^{th}$ and Luxembourg 122$^{nd}$.

On the contrary Serbia's most significant progress is in terms of Registering property. This year, it amounted to overhead even Belgium, Germany, France, Luxembourg and UK.

At large, Balkans' performance in Getting Credit is better than the EU's economies. More precisely, Serbia ranks better than Portugal and Italy. What is more extraordinary is that it foreheads even Belgium, Luxembourg and Sweden in this area.

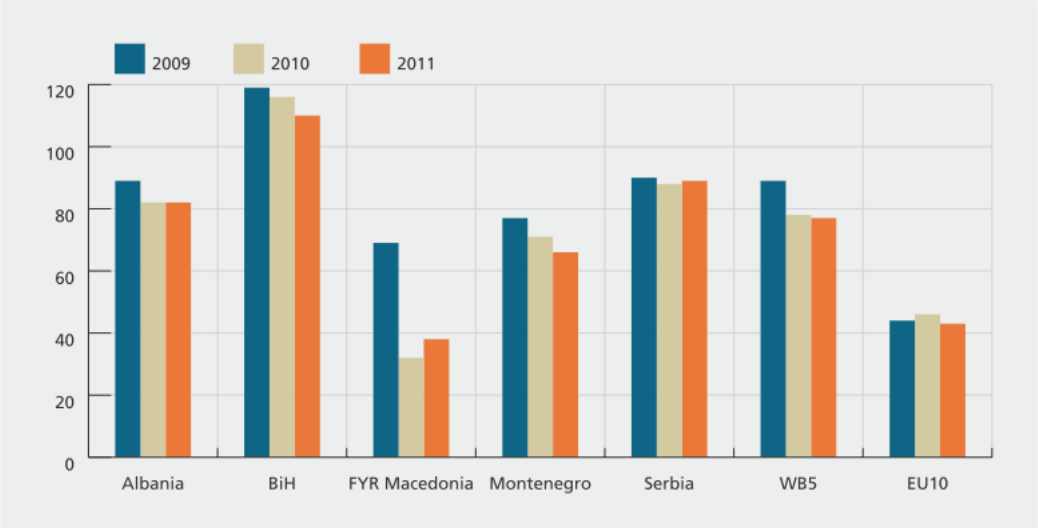
Table 11: **Doing Business in Serbia in comparison to the Balkans and the EU average**

| | Serbia | Average ranking Balkans | Average ranking EU | Difference with Balkans | Difference with EU |
|---|---|---|---|---|---|
| **Ease of Doing Business Rank** | 92 | 76,46 | 38,54 | (15.54) | (53.46) |
| **Starting a Business** | 92 | 71,77 | 66,15 | (20.23) | (25.85) |
| **Dealing with Construction Permits** | 175 | 135,46 | 65,15 | (39.54) | (109.85) |
| **Getting Electricity** | 79 | 107,38 | 70,69 | **28.38** | (8.31) |
| **Registering Property** | 39 | 78,15 | 65,69 | **39.15** | **26.69** |
| **Getting Credit** | 24 | 40,69 | 47,12 | **16.69** | **23.12** |
| **Protecting Investors** | 79 | 76,31 | 72,19 | (2.69) | (6.81) |
| **Paying Taxes** | 143 | 90,15 | 66,50 | (52.85) | (76.5) |
| **Trading Across Borders** | 79 | 85,08 | 38,88 | **6.08** | (40.12) |
| **Enforcing Contracts** | 104 | 83,08 | 45,35 | **20.92** | (58.65) |
| **Resolving Insolvency** | 113 | 75,62 | 36,88 | (37.38) | (76.12) |

(Source: World Bank, Doing Business Report 2012)

Table 12: **Comparison of Doing Business in the Balkans and the EU10 from 2009 to 2011**

**Figure 3.4: World Bank Doing Business Rankings: Ease of Doing Business Rank, 2009-2011**




Source: World Bank Doing Business database
Note: Ease of Doing Business Rank among 181 countries in 2009, and 183 countries in 2010 and 2011

## 3.5 Factors that Hinder Doing Business in Serbia

So far it has been indicated that there were significant changes and improvements in the Ease of Doing Business field, since the procedures and time required to start up and close a business have decreased and the process to get credit has become safer and quicker. However, there are significant problems that stigmatize Serbian economy, politics and society, and hamper the establishment of a healthy and ideal environment to do business in this country.

The World Economic Forum in its Global Competitiveness Report during the last two years stated the most inconvenient factors for doing business in Serbia as follows:

Table 13: **FACTORS THAT HINDER DOING BUSINESS IN SERBIA**

| **2011-12** | index | **2010-11** | index |
|---|---|---|---|
| 1. Inefficient government bureaucracy | 15.0 | 1. Corruption | 16.0 |
| 2.Corruption | 14.2 | 2.Inefficient government bureaucracy | 12.6 |
| 3. Access to financing | 10.0 | 3. Policy instability | 10.3 |
| 4. Inflation | 9.6 | 4. Access to financing | 9.1 |
| 5. Government instability | 8.6 | 5. Tax regulations | 8.9 |
| 6. Tax rates | 7.9 | 6. Crime and theft | 8.3 |

(Source: World Economic Forum, GCR 2012, GCR 2011)

As the table indicates few changes were noted during the last couple of years. Inefficient government bureaucracy and corruption are still the most problematic obstacles to doing business, with the only change that corruption is now the second most problematic issue. However, it is interesting to note that policy instability is no longer considered as an extremely problematic factor, and crime and theft have significantly declined in importance. It has to be admitted that, under the pressure to comply with the EU criteria, there has been significant progress to control and restrain corruption and criminality. Moreover, access to finance and issues tax issues remained a serious burden in 2011.

Another major problem is that the institutional framework of business in Serbia is characterized by explicit lack of confidence in the system of justice and its organs. This is attributed to the fact that legal proceedings, apart from being inefficient and, usually subject to corruption, they are also of high cost. It is worth mentioning that SMEs are particularly sensitive to justice system. Entrepreneurs find it difficult to enforce contracts and feel that their property is not secured from judicial certainty When their payments depend on juridical assistance, they usually come to the disadvantageous position of being subjected to liabilities collection.

The absence of regulations is also apparent in property and legal relations, having a negative impact on business climate in Serbia, and particularly on the attraction of

FDIs. Since the land is state-owned, it cannot be alienated[8], but only given for use. This is a heritage from the period after the World War II, when property was nationalized. Nowadays, this is one of the major key barriers for foreign investors in Serbia. This problem is expected to be solved in the near future, since new regulations are in schedule in order to complete the process of privatization and denationalization, which constitute contemporary prerequisites for Serbia's accession to the European Union (see World Economic Forum, GCR 2011, 2012).

## 4. Major Structural Reform Developments in Serbia

After the change of Serbia's political system and the transition to an open market economy, there were major steps taken so as to catch up with other states that had started earlier the transition process. Particularly, in the period from 2001 to 2006, significant reforms and laws were applied, in order to improve business environment, attract foreign investments and achieve economic development in Serbia; The most notable reforms concern price and foreign trade liberalization, privatization process[9], fiscal policy, banking and financial sector and implementation of tight monetary policy. Moreover, the company law was amended and eliminated preregistration inspections. In 2006, Serbia was pronounced to be the world leader in implementing pro-business reforms. The key drivers that directed improvement of regulatory governance and Serbian legal system are: the process of European integration, strong support of international community [10] and significant pressure stemming from the private sector (see Lazarević, Beraha, Stevanović, p. 235, 2006, EBRD, Transition Report, 2011). On the following, there will be a brief description of the reforms' progress during the year of 2011.

With regards to the implementation of privatization law, large scale privatization has made little progress during this year. The two prominent planned sales – Telekom Srbij and JAT Airways – finally did not materialize.

[8] excluding the case mentioned in article 84, Law on Building and Planning

[9] a privatization law was adopted in 2001 and amended in 2003

[10] mainly with arrangements by the IMF and the World Bank and other IFIs

A new energy law has been approved by parliament in July 2011, bringing closer Serbian legislation with the EU *acquis communautaire*. This law will lead to an immediate and complete opening of the gas and electricity market for all consumers, with the exception of households, for whom the market will be opened in January 2015. From October 2012, the role of the energy regulator will be strengthened and he will be able to set regulated tariffs. In the short term, under the implementation of this law, investments in energy efficiency will be facilitated and there will be more extensive use of renewable.

As far as the progress on infrastructure projects is concerned there are some negotiations and investments taking place, but there is no significant improvement accomplished yet. Precisely, significant investments are being made in the roads and railways sectors. In June 2011, there was a tender for the completion of the Pan-European Corridor X, while by March of the same year, the authorities negotiate with Russia a loan of 800 million dollars in order to modernize railway sector.

Finally, there is considerable progress in the implementation of the competition law. This law aims to protect competition, being in compliance with EU requirements, and it applies to antitrust provisions, including restrictive agreements and abuses of dominant positions. During the last 2 years, two cases of direct fines imposed by the Serbian Commission were reported; in the retail and dairy sectors. However, the fines are currently being appealed (see EBRD, Transition Report 2011, Haid, Petronijevic, p.2, 2010).

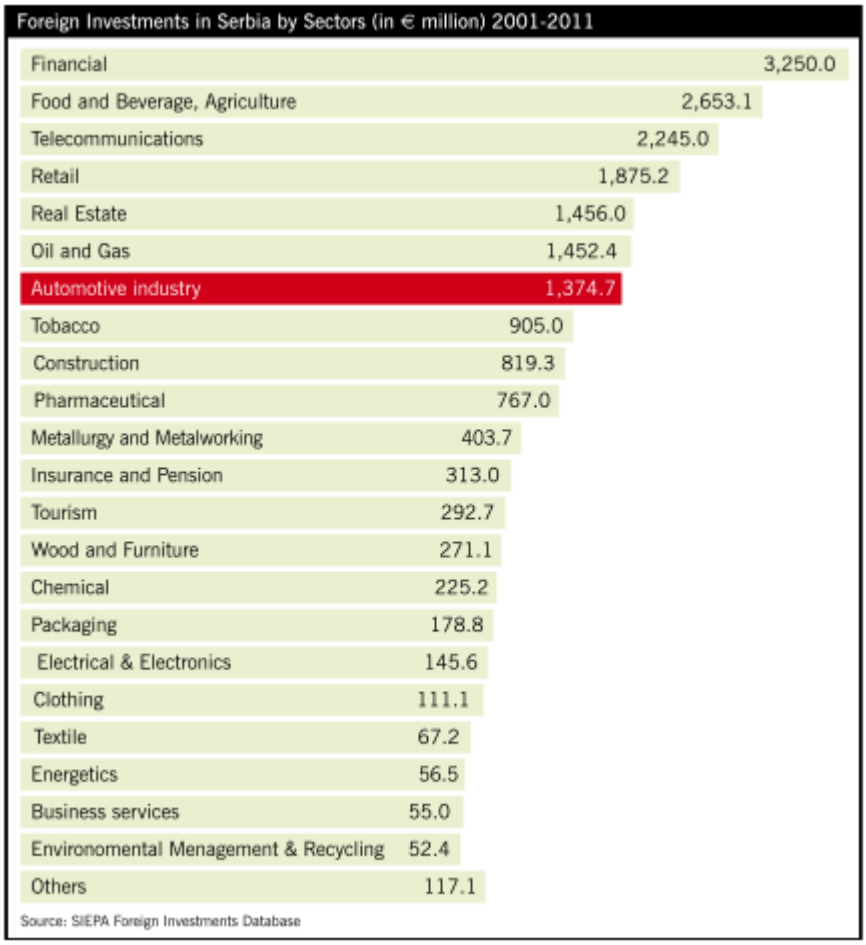
## 5. Investing in Serbia

Before the year 2000, foreign investments constituted a hardly known term in Serbia as there was no reason or profit from their presence at this country. What prevailed at that time was an extensive use of custom and non-custom barriers with the purpose to protect the economy. However, during the transition years, Serbia adopted a more liberal approach of an open market economy. A starting impulse to foreign investments was given by the privatization of a great number of state owned enterprises. The attraction of foreign capital was stimulated by the improvement of the political scene (see Grubisic, p. 293, 2006).

By definition, FDI is the largest source of external financing for developing and transition economies. The main profits that FDI offers are increase of employment rate, rise of productivity, transfer of skills, knowledge and technology and increase of exports. In addition, FDI lead to faster and better supply of raw materials, electricity, new organizational culture, easier transportation, or even access to free economic zone (see Grubisic, p. 294, 2006).

Unambiguously, in Serbia, FDI inflows have played a major role to economic growth and long term economic development (see Grubisic, p.293-294, 2006). According to Price Water House Coopers, Serbia is the 3$^{rd}$ most attractive manufacturing and 7$^{th}$ most attractive services destination among emerging economies. It is estimated that since the onset of economic reforms in 2001 and till 2009 an amount of over 14 billion euro was invested in Serbia, placing it fourth in South Eastern Europe, after Bulgaria, Romania and Croatia (see Ministry of Economy and Regional Development, Republic of Serbia, 2009) while only in the past four years Serbia attracted nearly 11 billion euro of inward foreign direct investments (see SIEPA, Invest in Serbia, p. 10, 2011)

Table 14: **FOREIGN INVESTMENTS IN SERBIA BY SECTOR 2001-2011**




(Source: Automotive profile Serbia, 2011)

The majority of investors in Serbia come from EU countries, such as Austria, Greece, Norway, Germany and Italy. United States is considered a major investor country too, while Russia's presence is increasingly growing during the last years. The top foreign investors are mainly world-class companies such as FIAT, Telenor, Stada, US Steel, Michelin, Gazprom, Siemens and many others (see SIEPA, Invest in Serbia, p. 10, 2011)

The completion of privatization process does not imply that FDI attraction will stop too. There are many factors that make Serbia a very attractive economy and there is great potential of a second round of foreign capital inflow, this time through Greenfield investments. The strengths of this country that make it stand from others and more favorable to invest will be analyzed below.

## 5.1 Reasons to Invest in Serbia

### Strategic Geographic Location

Serbia's geographical position is extremely advantageous as it allows communication and easy transport of goods to a variety of countries across the world. It is very close to many EU markets; it borders with Hungary, Bulgaria and Romania and a company that operates in Serbia has the benefit to efficiently serve not only EU but also SEE and Middle Eastern Europe's customers. This strategic location eliminates transport costs and provides easier and constant information about movement and fluctuations in market conditions.

Furthermore, Serbia's position on the borderline between the East and West makes it a gateway of Europe. The two main European Corridors, No 7-River Danube and No-10- the international highway and railroad provide connections with Western Europe and Middle East. In order to improve and modernize road and railway networks an investment of 4 billion euro will take place by 2012.

Image 1: **Serbia's is located on the borderline between the East and West**

(Source: SIEPA, Invest in Serbia, 2011)

### Low overhead costs

Another major factor that makes Serbian investing environment more appealing are low overhead costs. In particular, labor costs are amongst the lowest in the region and the second lowest in Europe. Only in Serbia and Bulgaria corporate income tax rate is 10%, while in Serbia the total cost of labor is just the 50% of the level in Eastern European EU countries. The average gross monthly salary is 470 euro (see SIEPA, Investment guide to Serbia, p. 64, 2010). Moreover, value added tax is among the most competitive in CEE, reaching only 18%, while it is exempted in Free Zones. There are many other benefits of the tax system in Serbia; for instance, a 10 year corporate income tax holiday is provided for investments in the manufacturing sector which worth over 8 million euro and create at least 100 new jobs. Moreover, a 5-year corporate income tax holiday for small scale investments aims to stimulate business environment in certain underdeveloped regions. When investing in fixed assets, there are provided corporate income tax credits in up to 80% of the invested amount. Last but not least, employees below 30 and above 45 years of age may benefit from some exemptions in terms of Salary tax amount and social insurance charges (see SIEPA, Investing in Serbia, 2011 p.4, Invest in Serbia 2011, p.4)

### Quality human resources

Labor force in Serbia combines high working efficiency with sizable labor supply. With low labor cost added to the high quality of human resources, it could be argued that labor force is one of the key factors in achieving a strong business performance. The main labor skills come from technical education[11], while engineers have a big expertise in their field. However, more action is needed to improve managerial skills. Although a number of joint courses relative to management have been organized by local universities and Western business schools, there is still much work to be done. Essentially, highly qualified staff in Serbia is widely available. The number of engineers and other specialists is sufficient, while transfer of knowhow and management skills via FDI inflows would improve business environment in a great degree. (ibid)

[11] Roughly one third of all university graduates come from technical universities.

**Investments incentives in Serbia**

In order to attract more investments in the region, Serbia has introduced in 2006 a set of highly competitive investment incentives. This initiative includes cash grants to investments that create significant number of new jobs, as well tax incentives in the form of credits, cuts in payroll contributions and reduced corporate tax rates. A brief description of these incentives will follow below.

Regarding *large investments*, a special finance package is available: If a project values more than 200 million euro at creates at least 1,000 new jobs, the state may cover up to 25% of the investment. For investments of over 50 million euro that create at least 50 new jobs, up to 20% of the project's value can be subsidized.

When it comes to Greenfield and Brownfield investments in the sectors of *manufacturing and export-related services*, non refundable state funds are offered in the range between 2,000 euro and 10,000 euro for every new job created (see SIEPA, Invest in Serbia, p. 5, 2010).

The republic of Serbia has signed *Double Taxation treaties* with 41 countries. This means that if a taxpayer has already paid tax on the profit generated abroad, he is entitled to a corporate income tax credit in Serbia to the already paid amount. The same right is also allowed to a taxpayer who earns revenue and pays Personal income tax in another country, provided that there is a Double Taxation Treaty with that country (see SIEPA, Invest in Serbia, p.4, 2010).

Another incentive of great importance is the establishment of *six free zones* in Serbia, where a variety of benefits is available. Users of free zones are exempted from taxes, contributions and custom tariffs on all goods that are manufactured in the free zone and destined for exportation as well as imported goods that are designated for their activities and construction facilities with the zone. The six free zones are Pirot Suboticam Novi Sad, Zrenjanin, Sabac and Kragujevac. In these zones it is possible to carry out any activities apart from retail trade (see Chamber of Commerce and industry of Serbia, booklet, 2010).

Furthermore, a wide range of imported materials that concern the realization of a foreign investment are exempted from custom duties. For instance, the import of

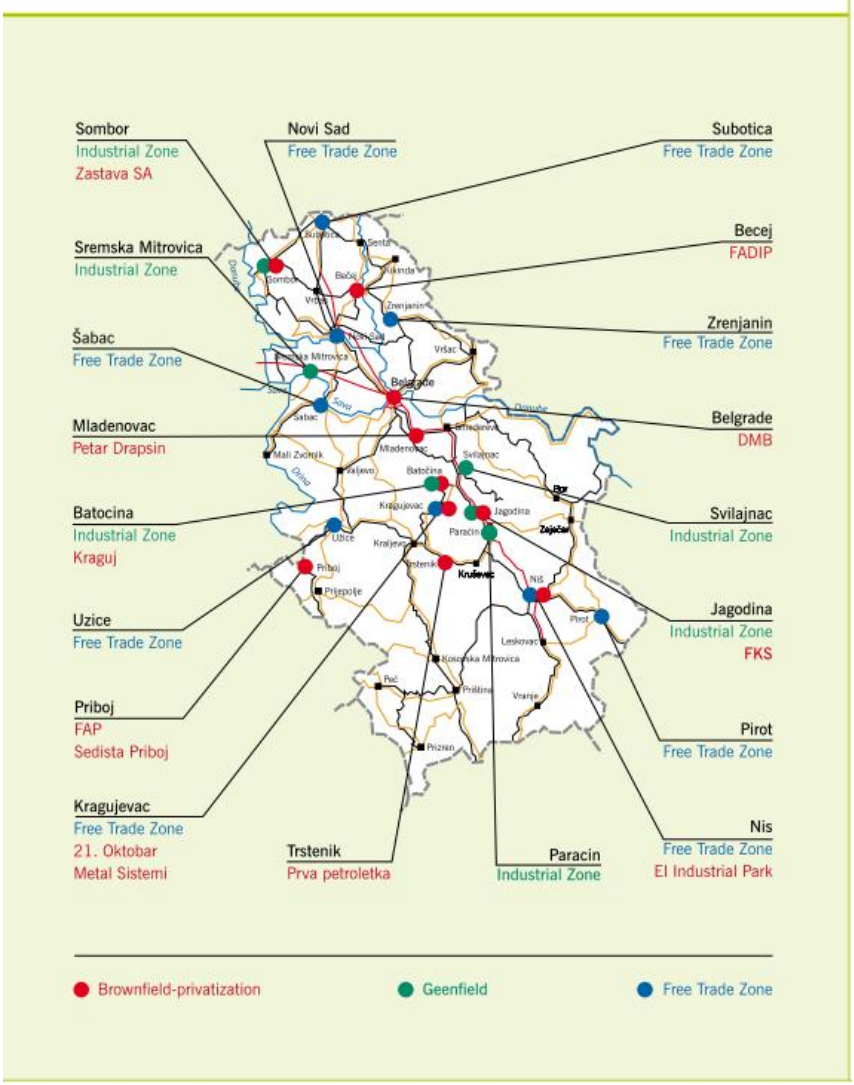
equipment and other assets as well as construction materials are duty-free. Equally, the import of raw materials, semi-finished and component parts carried out for a coming up long term co-operation with a foreign producer are not burdened with import duties (see SIEPA, IT Sector in Serbia: Business Opportunities, p.3, 2004)

Table 15: **Serbia's tax system is highly conducive to investment**

| Tax | Rate | Recurrence | Possible incentive |
|---|---|---|---|
| Corporate Profit Tax | 10% | yearly | 10 year holiday (investments over 8 million euro and 100 new jobs) or 20%, 40% or 80% of investment value as tax credit |
| Withholding Tax (for dividend, shares in profits, royalties, interest income, capital gains, lease payments for real estate and other assets) | 20% | yearly | lower rate of 10% or 5% according to double taxation agreement |
| VAT | 18% - standard<br>8% - lower rate | monthly | import VAT return for export of finished goods<br>import VAT exempt in free trade zones |
| Property Tax | up to 0.4% | yearly | rates vary by municipality |
| Absolute Rights Transfer Tax | 0.3% - stocks and bonds<br>2.5% - other property | at purchase of property | |
| Salary Tax | 12% | monthly | 3 - year holiday for hiring apprentices<br>2 - year holiday for hiring unemployed workers |
| Annual Income Tax | 10% - under 8x average salary<br>15% - over 8x average salary | yearly | |
| Pension and disability insurance | 11% | monthly | 3 - year holiday for hiring apprentices<br>2 - year holiday for hiring unemployed workers |
| Health insurance | 6.15% | monthly | 3 - year holiday for hiring apprentices<br>2 - year holiday for hiring unemployed workers |
| Unemployment insurance | 0.75% | monthly | 3 - year holiday for hiring apprentices<br>2 - year holiday for hiring unemployed workers |

Source (SIEPA, Investor's Profile Serbia, 2011)

Image 2: **Recommended Investments Locations**




(Source, Automotive Profile Serbia 2011)

## 6. Policy Recommendations

From all the above analyzed, it could be concluded that although Serbian economy is not yet much competitive, it has great potential to become one of the most attractive destinations for foreign investments in South Eastern Europe. However, authorities should, in advance, consider that serious and active reforms should be implemented in order to face major insufficiencies and problems that obstruct the function of a healthy economic, social and political system.

Firstly, there is an imperative need to ensure a vigorous and effective *implementation of anti-monopoly policy*. Serbia seems to have a weakness in implementing market-based reforms and in establishing independence between economics and politics. Market concentration constitutes an obstacle to competition and, consequently, hampers entrepreneurial activity. There is an emergency to complete the currently planned privatizations for several large companies and to make further progress in the improvement of business environment (see EBRD, Transition Report 2010, p.140-141) A proper implementation of the Competition law would manage to regulate the monopoly inefficiencies and would enable the country to be closer to European standards (see Vasiljevic, p.91-93, 2009). A competitive economy based on knowledge, new technologies and innovations would reassure economic progress of Serbia.

Secondly, great attention should be paid in the achievement of a more *transparent government policy making*. Serbia confronts serious problems of corruption, overregulation, bureaucracy and lack of trustworthiness that hamper business and burden the entrepreneurs with unnecessary procedures. Surveys of the Open Society Institute and the Transparency International (2010) show that the most corrupted sectors of Serbia are customs, taxation authorities and courts. It is imposing to adopt new measures to eliminate the dependence of the judicial system on political authorities. This connection imposes significant economic costs and slows the process of financial development. A significant step for the achievement of a transparent state function is the implementation of the Public Administration Reform Strategy. The purpose of this Strategy is to introduce new technologies and a new administrative and information culture and, thus, support the development of an efficient, accountable and citizen-oriented public sector. So far, this endeavor has set relatively good grounds for restructuring public administration. (ibid)

Moreover, as Serbia is still a medium developed economy, business is more profitable in the *Small and Medium Enterprises sector*. SME sector should be stimulated with incentives for founding new companies, development of an institutional basis for representation of SMEs' interests and creation of educational and training programs for entrepreneurship. What would facilitate business more would be the implementation of a clarified and efficient legislation on business contracts as well as

easier access to financial resources, availability of tax incentives and faster start-up procedures (see Filipović; Petraković, p.274, 2005, Djordjevic, Cockalo Bogetic, p 519-520, 2011)

The more *extensive* c*oncentration of clusters*[12] would also be a successful strategy for the development of the SME sector. The significance of an efficient business environment as well as the progress of private sector motivated the ministry of Economy and Regional Development to define the long term Cluster Development Support program which runs from 2005 and is to be completed by the end of this year. The purpose of this program is to gather SMEs, scientific research institutions and business associations so as to develop private sector, increase employment and promote exports (press article, Ministry of Economy and Development, Republic of Serbia). The most notable clusters in Serbian economy are in the automotive sector, software, agricultural machinery. [13] There should be more motivation to expand the presence of clusters in Serbian economy. This will offer better access to new skills and knowledge, common services, partnership support, product branding, development of marketing strategies, joint work on innovations, more efficient implementation of QMS of the co-financing of private and State Owned Enterprises (see Djordjevic, Cockalo and Bogetic, p. 520).

A very promising sector in Serbia, *agricultural industry*, belongs to the SME sector. Contrary to the rest of the world where this business in concentrated in the hands of few big industrial groups, in Serbia it is distinguished by the presence of many small companies. Authorities should give major concern on agriculture and food processing sectors' development. Although there has been a decrease on the purchase power of the consumers and a dramatic decline by these industries in the last two decades, there is a long tradition of high quality production. After privatization process will be completed, there are many possibilities that these industries will become fast growing and their high quality will make agricultural goods very competitive in exports. Modern economic reforms as well trade liberalization are providing a fertile ground for development of foreign trade. However, many companies still use old plants and

[12] Clusters are geographic concentration of interconnected companies, related and different activities, specialized suppliers, service providers and associated supporting institutions competing but also cooperating in a specific field (http://www.merr.gov.rs/en/c/instrumenti-politike-razvoja-mspp/sme-policy-instruments/195)

[13] Automotive cluster of Serbia – AC Serbia , Serbian software cluster, BIPOM cluster - Balkan and Black Sea industry of agricultural machinery and Flower producers cluster

obsolete production systems. It is mandatory to introduce modernization and innovation. Once these measures are put into practice, there will be stimulation of work for manufacturers of machines and technologies, too. And, thus, in the long run, stimulation of economy, productivity, jobs generation and efficiency will emerge (see website invest in Serbia-doing business in Serbia)

In the *financial sector*, the key priorities are to further strengthen the regulation of financial institutions and to encourage the development of local capital markets. Development of the latter should focus in particular on local currency, given that EU membership and eventual adoption of the euro are unlikely to occur for some years.

It is very essential that the government's priorities should be focused on *improvements in physical infrastructure*. As it was mentioned above, Serbia faces poor quality roads, airports, electricity networks that lead to inadequate utilization of the available resources, hamper transportation and the economic activity in general. There is significant support by international independent institutions but still there is more progress required. It is expected that investments in infrastructure projects will raise the investor's interest for the region, thus resulting in new job openings.

Moreover, special attention must be paid on *the educational reforms*. A firmer link between education and work should be established because although Serbia has a relatively high level of education there is a gap between education and management skills. The Serbia IPA Cross- Border Program that contributes to the strengthening of cross-border cooperation between universities is a remarkable contribution of the European Union concerning this insufficiency (see European Commission, IPA Program, 2008).

Additionally, experience of transitional economies confirms the critical role of *foreign investments* in boosting export competitiveness and economic activity by large. During the last years Serbia had steadily great inflows of FDI, both Brownfield and Greenfield ones. Brownfield investments by foreign individuals take place through privatization and acquisition processes. This implies restructuring which leads to increased productivity and exports. In this way enterprises may increase the efficiency of their operations, modernize their production technology and expand stable commercial and production links with the supply chains of production and marketing, particularly those of EU. These "Brownfield" investments could play a key

positive role in moderating the perception of risk for new potential "Greenfield" investors.[14] However, this will happen only if the current "Brownfield" investors find the investment climate acceptable and are treated fairly.

Greenfield investments are of major necessity as they attract more capital in a country; new facilities, plants and offices are being built and more new jobs are created. Moreover, these investments can contribute to the development of new industries in a country and open new opportunities for further investments in the value chain of the new industry (see Grubisic, p.301). Effective reforms should take place in order to keep on attracting investors that are interested to establish a new company in Serbia. A significant motivation for foreigners is the liberalization of property laws; this means that acquisition of real estate and immovable property is liable and it requires only reciprocity in the respective country (see SIEPA, IT Sector in Serbia: Business Opportunities, p.3, Euro global SEE Audit LTD, 2011, p.4)

Still, according to an analysis carried out by the Economics Institute in Belgrade, the current priorities that are aiming to sustain Serbian development and economic growth after crisis are increase of exports, the finalization of the economy's restructuring and the encouragement of agriculture and the processing industry (see Djordjevic, Cockalo, Bogetic, p. 520, 2011)

[14] Serbia has received the award "Best Greenfield investments location in SEE" by the OECD three times. ( Euro global SEE Audit LTD, Feb 2011, p.4)

## CONCLUSION

Serbia still carries the burden of its past experiences. After a long period of abstaining from any economic activity and with a damaged infrastructure that needs time to be reconstructed, the country seems far from achieving remarkable economic development. Moreover, institutional problems, inefficient judiciary system and high level of bureaucracy plague the business environment and discourage foreign investors.

Serbia is not a competitive economy. Despite the significant steps to achieve macroeconomic stability, still economic environment is in a critical situation. Public debt and budget deficit are considerable high and the economy is primary relied on funds and supporting programs by international institutions. Goods market efficiency as well as labor market efficiency is inadequate. Although labor force in Serbia is highly expertise in engineering and technical subjects, there is lack of managerial skill and training of employees; thus a business cannot be highly productive. To make matters worse, Serbia lags in terms of technological readiness. With obsolete technological equipment from the communist period and with no personnel qualified in this issue, it is impossible to run a business efficiently. Moreover, there are no researchers in the region, or the talented ones out-migrate. As for Business and Sophistication, Serbia holds the last position in Europe. Financial market is not in a good position either, as there is lack of liquidity and difficult access to capital.

However, there are some factors that make Serbia stand out in comparison to the Balkan region. For instance, higher education is in a very good level and, annually, numerous individuals graduate from universities. Moreover, Serbia holds a very strategic geographic location, being in the middle of Eastern and Western Europe. After the trade and price liberalization, Serbia's market opened towards EU and other developed economies, such as USA and Japan. Economic relations with Russia and Turkey are gaining significant ground too, lately. What is very promising is that Serbia ranks better than the rest of the Balkan region in terms of Innovation and this might be fruitful in the short-run.

Although the Global Competitiveness Index indicates a negative position of Serbia in the globe, when observing the Ease of Doing Business Index, we could find the results of remarkable endeavors made by the Serbian authorities with the purpose to

improve business environment. For instance, the establishment of the Business Register Agency has made procedures less bureaucratic and quicker. A reform that was introduced this year decreased the number of days required to register property; this uplifted the position of Serbia in the global ranking of doing business to a great degree. What is more noteworthy is that, according to the World Bank's report, Serbia offers great protection of investors. It must be mentioned that in this subject, Serbia overrates even developed economies as Austria, Germany, Switzerland and Luxemburg. Moreover, getting electricity in Serbia has the lowest cost in Europe. It is estimated that a project undertaken by the EBRD, will upgrade the quality of the electricity network, transforming it to a modern power grid. .

On the other hand, the obstacles that hinder successful business in Serbia are more dominant. The most problematic factor is dealing with Construction Permits. Serbia performs worse than all Europe in this matter. Furthermore, the inefficient legislation system does not allow enforcing contracts efficiently and the complex and not transparent system of paying taxes and fees obstruct many potential entrepreneurs to operate a business.

At large Serbia has great potential to become an investors' ideal choice but due to these serious problems an individual that will proceed to do business in this country must have a slightly risky behavior. What makes Serbia an ideal place to invest is the low cost of labor force, the very conducive to investments paying system and its strategic location. As mentioned above, labor force is highly educated and speak the English language fluently, a language not so wide spread into the region. Furthermore, a range of investment incentives make business in this country more appealing. However, due to the global economic crisis entrepreneurs and investors became less risky and do not trust the financial system. Thus, doing business in Serbia is a difficult endeavor with the current situation.

Although the first generation reforms had a positive outcome, Serbia still lags behind other transition economies in terms of structural information. In order to apply additional reforms, it could use experience of other countries and expand the scope and depth of its global integration.

The forthcoming reforms must be focused on the development of the agricultural and the automotive sector. Serbia boasts for high quality agricultural products; a

representative example is that this country exports the 2/3 of raspberries worldwide. Moreover automotive industry has developed to a great degree, from the time Italian FIAT acquired ZASTAVA and the qualified labor force, if occupied efficiently is a guarantee for further improvement.

Moreover, educational reforms are necessary to the region. The current climate of skills competition and the continuous technological progress impose the training of staff and the development of managerial skills. With the development of the clusters network, significant transfer of knowledge and knowhow takes place, and there are more opportunities for the development of a more efficient SME sector.

Although the current business climate is not so favorable, Serbia could be expected to marking better performance and even surpassing some SEE countries after the outcomes of the global crisis start diminishing. If political stability keeps ameliorating and institutions become more efficient and transparent the prospects of success will increase even more. As in every country, progress in Serbia is up to the willingness of authorities and the social capital.

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**APPENDIX I:**

| GLOBAL COMPETITIVENESS INDEX AND RANK IN SERBIA 2010-2012 | | | | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | Rank | Rank | Score | Score |
| | Out of 142 | Out of 139 | (1-7) | (1-7) |
| **Basic Requirements** | **88** | **93** | **4.3** | **4.1** |
| Institutions | 121 | 120 | 3.2 | 3.2 |
| Infrastructure | 84 | 93 | 3.7 | 3.4 |
| Macroeconomic Environment | 91 | 109 | 4.5 | 4.0 |
| Health and primary education | 52 | 50 | 5.8 | 6.0 |
| **Efficiency enhancers** | **90** | **93** | **3.7** | **3.7** |
| Higher Education and training | 81 | 74 | 4.0 | 4.0 |
| Goods market efficiency | 132 | 125 | 3.5 | 3.6 |
| Labor market efficiency | 112 | 102 | 3.9 | 4.1 |
| Financial market development | 96 | 94 | 3.7 | 3.8 |
| Technological Readiness | 71 | 80 | 3.6 | 3.4 |
| Market Size | 70 | 72 | 3.6 | 3.6 |
| **Innovation and Sophistication factors** | **118** | **107** | **3.0** | **3.0** |
| Business Sophistication | 130 | 125 | 3.1 | 3.2 |
| Innovation | 97 | 88 | 2.9 | 2.9 |

**APPENDIX II: GLOBAL COMPETITIVENESS INDEX AND RANK 2004-2012 BALKANS[15]**

| | 2004 | | 2005 | | 2006/07 | | 2007/08 | | 2008/9 | | 2009/10 | | 2010/11 | | 2011/12 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | SCORE | RANK[16] | SCORE | RANK | SCORE | RANK | SCORE | RANK | SCORE | RANK | SCORE | RANK | SCORE | RANK | RANK | SCORE |
| **Balkans 12** | | | | | | | | | | | | | | | | |
| Slovenia | 4,75 | 33 | 4,59 | 32 | 4,64 | 33 | 4,48 | 39 | 4,50 | 42 | 4,55 | 37 | 4,42 | 45 | 57 | 4,3 |
| Montenegro | - | - | - | - | - | - | 3,91 | 82 | 4,11 | 65 | 4,16 | 62 | 4,36 | 49 | 60 | 4,3 |
| Turkey | 3,82 | 66 | 3,68 | 66 | 4,14 | 59 | 4,25 | 53 | 4,15 | 63 | 4,16 | 61 | 4,25 | 61 | 59 | 4,3 |
| Romania | 3,86 | 63 | 3,67 | 67 | 4,02 | 68 | 3,97 | 74 | 4,10 | 68 | 4,11 | 64 | 4,16 | 67 | 77 | 4,1 |
| Bulgaria | 3,98 | 59 | 3,83 | 58 | 3,96 | 72 | 3,93 | 79 | 4,03 | 76 | 4,02 | 76 | 4,13 | 71 | 74 | 4,2 |
| Croatia | 3,94 | 61 | 3,74 | 62 | 4,26 | 51 | 4,20 | 57 | 4,22 | 61 | 4,03 | 72 | 4,04 | 77 | 76 | 4,1 |
| FYROM | 3,34 | 84 | 3,26 | 85 | 3,86 | 80 | 3,73 | 94 | 3,87 | 89 | 3,95 | 84 | 4,02 | 79 | 79 | 4,1 |
| Greece | 4,56 | 37 | 4,26 | 46 | 4,33 | 47 | 4,08 | 65 | 4,11 | 67 | 4,04 | 71 | 3,99 | 83 | 90 | 3,9 |
| Albania | - | - | 3,07 | 100 | 3,46 | 98 | 3,48 | 109 | 3,55 | 108 | 3,72 | 96 | 3,94 | 88 | 78 | 4,1 |
| Moldova | - | - | 3,37 | 82 | 3,71 | 86 | 3,64 | 97 | 3,75 | 95 | - | - | 3,86 | 94 | 93 | 3,9 |
| **Serbia** | - | - | - | - | - | - | 3,78 | **91** | 3,90 | **85** | 3,77 | **93** | 3,84 | **96** | **95** | 3,9 |
| BiH | 3,38 | 81 | 3,17 | 95 | 3,67 | 89 | 3,55 | 106 | 3,56 | 107 | 3,53 | 109 | 3,70 | 102 | 100 | 3,8 |
| Serbia and Montenegro | 3,23 | 89 | 3,38 | 80 | 3,69 | 87 | - | - | - | - | - | - | - | - | - | - |
| **AVERAGE** | 3,87 | 63,67 | 3,64 | 70,27 | 3,98 | 70 | 3,92 | 78,83 | 3,99 | 77,17 | 4,00 | 75 | 4,06 | 76 | 78,2 | 4,08 |

[15]Sources: The World Economic Forum, Global Competitiveness Reports 2005-2012

[16]

best ranking in the region

worst ranking in the region

**APPENDIX III:**

| GCI IN THE BALKANS 2011: BASIC REQUIREMENTS | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balkans 2011/ 2012** | **BASIC REQUIREMENTS** | | 1. INSTITUTIONS | | 2. INFRASTRUCTURE | | 3. MACROECONOMIC ENVIRONMENT | | 4. HEALTH AND PRIMARY EDUCATION | |
| Economy | RANK | SCORE | RANK | SCORE | RANK | SCORE | RANK | SCORE | RANK | SCORE |
| Slovenia | 39 | 5,1 | 55 | 4,1 | 37 | 4,8 | 35 | 5,3 | 24 | 6,3 |
| Montenegro | 57 | 4,7 | 42 | 4,5 | 63 | 4 | 94 | 4,5 | 59 | 5,8 |
| Turkey | 64 | 4,6 | 80 | 3,7 | 51 | 4,4 | 69 | 4,8 | 75 | 5,6 |
| Romania | 89 | 4,3 | 99 | 3,5 | 95 | 3,4 | 87 | 4,5 | 66 | 5,7 |
| Bulgaria | 74 | 4,5 | 110 | 3,3 | 87 | 3,6 | 46 | 5,1 | 57 | 5,8 |
| Croatia | 52 | 4,8 | 90 | 3,6 | 39 | 4,7 | 70 | 4,8 | 48 | 6 |
| FYROM | 69 | 4,6 | 81 | 3,7 | 86 | 3,7 | 37 | 5,3 | 80 | 5,5 |
| Greece | 80 | 4,4 | 96 | 3,5 | 45 | 4,5 | 140 | 3,3 | 37 | 6,1 |
| Albania | 71 | 4,5 | 57 | 4 | 72 | 3,9 | 86 | 4,5 | 65 | 5,7 |
| Moldova | 102 | 4,1 | 106 | 3,4 | 96 | 3,3 | 103 | 4,3 | 86 | 5,5 |
| **Serbia** | **88** | **4,3** | **121** | **3,2** | **84** | **3,7** | **91** | **4,5** | **52** | **5,8** |
| BiH | 92 | 4,2 | 109 | 3,3 | 99 | 3,2 | 78 | 4,6 | 58 | 5,8 |

**APPENDIX IV:**

| GCI IN THE BALKANS 2011: EFFICIENCY ENHANCERS | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balkans 2011/ 2012** | **EFFICIENCY ENHANCERS** | | 5. HIGHER EDUCATION AND TRAINING | | 6. GOODS MARKET EFFICIENCY | | 7. LABOR MARKET EFFICIENCY | | 8. FINANCIAL MARKET DEVELOPMENT | | 9. TECHNOLOGICAL READINESS | | 10. MARKET SIZE | |
| Economy | RANK | SCORE | RANK | SCORE | RANK | SCORE | RANK | SCORE | RANK | SCORE | RANK | SCORE | RANK | SCORE |
| Slovenia | 51 | 4,2 | 21 | 5,2 | 48 | 4,4 | 102 | 4 | 102 | 3,6 | 32 | 4,8 | 80 | 3,4 |
| Montenegro | 63 | 4,1 | 48 | 4,6 | 39 | 4,5 | 45 | 4,6 | 35 | 4,6 | 53 | 4 | 130 | 2 |
| Turkey | 52 | 4,2 | 74 | 4 | 47 | 4,4 | 133 | 3,5 | 55 | 4,3 | 55 | 3,9 | 17 | 5,2 |
| Romania | 62 | 4,1 | 55 | 4,4 | 96 | 4 | 92 | 4,1 | 84 | 3,9 | 60 | 3,8 | 44 | 4,4 |
| Bulgaria | 59 | 4,1 | 70 | 4,2 | 86 | 4,1 | 56 | 4,5 | 75 | 4 | 50 | 4,1 | 64 | 3,8 |
| Croatia | 72 | 4 | 56 | 4,4 | 114 | 3,8 | 116 | 3,9 | 87 | 3,9 | 38 | 4,5 | 72 | 3,6 |
| FYROM | 87 | 3,8 | 80 | 4 | 63 | 4,3 | 72 | 4,3 | 82 | 3,9 | 67 | 3,7 | 107 | 2,8 |
| Greece | 65 | 4,1 | 46 | 4,7 | 107 | 3,9 | 126 | 3,6 | 110 | 3,5 | 47 | 4,2 | 42 | 4,4 |
| Albania | 82 | 3,9 | 82 | 4 | 43 | 4,5 | 49 | 4,6 | 107 | 3,6 | 62 | 3,8 | 101 | 2,9 |
| Moldova | 103 | 3,6 | 83 | 3,9 | 98 | 3,9 | 75 | 4,3 | 105 | 3,6 | 78 | 3,5 | 122 | 2,4 |
| **Serbia** | **90** | **3,7** | **81** | **4** | **132** | **3,5** | **112** | **3,9** | **96** | **3,7** | **71** | **3,6** | **70** | **3,6** |
| BiH | 102 | 3,6 | 86 | 3,9 | 115 | 3,8 | 85 | 4,2 | 124 | 3,3 | 73 | 3,6 | 97 | 3 |

**APPENDIX V:**

| GCI IN THE BALKANS 2011: INNOVATION AND SOPHISTICATION FACTORS | | | | | | |
|---|---|---|---|---|---|---|
| **Balkans 2012** | **INNOVATION AND SOPHISTICATION FACTORS** | | 11. BUSINESS SOPHISTICATION | | 12. INNOVATION | |
| Country/Economy | RANK | SCORE | RANK | SCORE | RANK | SCORE |
| Slovenia | 45 | 3,9 | 49 | 4,2 | 40 | 3,6 |
| Montenegro | 59 | 3,6 | 70 | 3,8 | 50 | 3,4 |
| Turkey | 58 | 3,6 | 58 | 4,1 | 69 | 3,1 |
| Romania | 99 | 3,2 | 102 | 3,5 | 95 | 2,9 |
| Bulgaria | 96 | 3,2 | 96 | 3,6 | 93 | 2,9 |
| Croatia | 82 | 3,4 | 88 | 3,7 | 76 | 3,1 |
| FYROM | 104 | 3,1 | 105 | 3,5 | 105 | 2,8 |
| Greece | 81 | 3,4 | 77 | 3,8 | 88 | 3 |
| Albania | 102 | 3,2 | 78 | 3,8 | 123 | 2,6 |
| Moldova | 127 | 2,9 | 117 | 3,3 | 128 | 2,4 |
| **Serbia** | **118** | **3** | **130** | **3,1** | **97** | **2,9** |
| BiH | 108 | 3,1 | 108 | 3,4 | 104 | 2,8 |

## APPENDIX VI: GLOBAL COMPETITIVENESS INDEX AND RANK 2004-2012 EU27

| | 2004 | | 2005 | | 2006 | | 2007/2008 | | 2008/2009 | | 2009/2010 | | 2010/2011 | | 2011/2012 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Country | Rank | Score | Rank | Score | Rank | Score | Rank | Score | Rank | Score | Rank | Score | Rank | Score | Rank | Score |
| Finland | 1 | 5.95 | 1 | 5.94 | 2 | 5.76 | 6 | 5.49 | 6 | 5.50 | 6 | 5.43 | 7 | 5.37 | 4 | 5.47 |
| Sweden | 3 | 5.72 | 3 | 5.65 | 3 | 5.74 | 4 | 5.54 | 4 | 5.53 | 4 | 5.51 | 2 | 5.56 | 3 | 5.61 |
| Denmark | 5 | 5.66 | 4 | 5.65 | 4 | 5.70 | 3 | 5.55 | 3 | 5.58 | 5 | 5.46 | 9 | 5.32 | 8 | 5.40 |
| Germany | 13 | 5.28 | 15 | 5.10 | 8 | 5.58 | 5 | 5.51 | 7 | 5.46 | 7 | 5.37 | 5 | 5.39 | 6 | 5.41 |
| Netherlands | 12 | 5.30 | 11 | 5.21 | 9 | 5.56 | 10 | 5.40 | 8 | 5.41 | 10 | 5.32 | 8 | 5.33 | 7 | 5.41 |
| UK | 11 | 5.30 | 13 | 5.11 | 10 | 5.54 | 9 | 5.41 | 12 | 5.30 | 13 | 5.19 | 12 | 5.25 | 10 | 5.39 |
| Austria | 17 | 5.20 | 21 | 4.95 | 17 | 5.32 | 15 | 5.23 | 14 | 5.23 | 17 | 5.13 | 18 | 5.09 | 19 | 5.14 |
| France | 27 | 4.92 | 30 | 4.78 | 18 | 5.31 | 18 | 5.18 | 16 | 5.22 | 16 | 5.13 | 15 | 5.13 | 18 | 5.14 |
| Belgium | 25 | 4.95 | 31 | 4.63 | 20 | 5.27 | 20 | 5.10 | 19 | 5.14 | 18 | 5.09 | 19 | 5.07 | 15 | 5.20 |
| Ireland | 30 | 4.90 | 26 | 4.86 | 21 | 5.21 | 22 | 5.03 | 22 | 4.99 | 25 | 4.84 | 29 | 5.74 | 29 | 4.77 |
| Luxembourg | 26 | 4.95 | 25 | 4.90 | 22 | 5.16 | 25 | 4.88 | 25 | 4.85 | 21 | 4.96 | 20 | 5.05 | 23 | 5.03 |
| Estonia | 20 | 5.08 | 20 | 4.95 | 25 | 5.12 | 27 | 4.74 | 32 | 4.67 | 35 | 4.56 | 33 | 4.61 | 33 | 4.62 |
| Spain | 23 | 5.00 | 29 | 4.80 | 28 | 4.77 | 29 | 4.66 | 29 | 4.72 | 33 | 4.59 | 42 | 4.49 | 36 | 4.54 |
| CzecH Rep. | 40 | 4.55 | 38 | 4.42 | 29 | 4.74 | 33 | 4.58 | 33 | 4.62 | 31 | 4.67 | 36 | 4.57 | 38 | 4.52 |
| Slovenia | 33 | 4.75 | 32 | 4.59 | 33 | 4.64 | 39 | 4.48 | 42 | 4.50 | 37 | 4.55 | 45 | 4.42 | 57 | 4.30 |
| Portugal | 24 | 4.96 | 22 | 4.91 | 34 | 4.60 | 40 | 4.48 | 43 | 4.47 | 43 | 4.40 | 46 | 4.38 | 45 | 4.40 |
| Latvia | 44 | 4.43 | 44 | 4.29 | 36 | 4.57 | 45 | 4.41 | 54 | 4.26 | 68 | 4.06 | 70 | 4.14 | 64 | 4.24 |
| Malta | 32 | 4.79 | 35 | 4.54 | 39 | 4.54 | 56 | 4.21 | 52 | 4.31 | 52 | 4.30 | 50 | 4.34 | 51 | 4.33 |
| Lithuania | 36 | 4.57 | 43 | 4.30 | 40 | 4.53 | 38 | 4.49 | 44 | 4.45 | 53 | 4.30 | 47 | 4.38 | 44 | 4.41 |
| Hungary | 39 | 4.56 | 39 | 4.38 | 41 | 4.52 | 47 | 4.35 | 62 | 4.22 | 58 | 4.22 | 52 | 4.33 | 48 | 4.36 |
| Italy | 47 | 4.27 | 47 | 4.21 | 42 | 4.46 | 46 | 4.36 | 49 | 4.35 | 48 | 4.31 | 48 | 4.37 | 43 | 4.43 |
| Cyprus | 38 | 4.56 | 34 | 4.54 | 46 | 4.36 | 55 | 4.23 | 40 | 4.53 | 34 | 4.57 | 40 | 4.50 | 47 | 4.36 |
| Greece | 37 | 4.56 | 46 | 4.26 | 47 | 4.33 | 65 | 4.08 | 67 | 4.11 | 71 | 4.04 | 83 | 3.99 | 90 | 3.92 |
| Poland | 60 | 3.98 | 51 | 4.00 | 48 | 4.30 | 51 | 4.28 | 53 | 4.28 | 46 | 4.33 | 39 | 4.51 | 41 | 4.46 |
| Romania | 63 | 3.86 | 67 | 3.67 | 68 | 4.02 | 74 | 3.97 | 68 | 4.10 | 64 | 4.11 | 67 | 4.16 | 77 | 4.08 |
| Bulgaria | 59 | 3.98 | 58 | 3.83 | 72 | 3.96 | 79 | 3.93 | 76 | 4.03 | 76 | 4.02 | 71 | 4.13 | 74 | 4.16 |
| Slovak Rep. | 43 | 4.43 | 41 | 4.31 | 37 | 4.55 | 41 | 4.45 | 46 | 4.40 | 47 | 4.31 | 60 | 4.2 | 69 | 4.19 |
| **Average** | 29,9 | 4,83 | 30,5 | 4,7 | 29,6 | 4,89 | 33,4 | 4,74 | 34,3 | 4,75 | 34,79 | 4,7 | 36 | 4,73 | 37 | 4,71 |

| APPENDIX VII: GCI IN EU 2012 BASIC REQUIREMENTS | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **EU-27** | **BASIC REQUIREMENTS** | | 1. INSTITUTIONS | | 2. INFRASTRUCTURE | | 3. MACROECONOMIC ENVIRONMENT | | 4. HEALTH AND PRIMARY EDUCATION | |
| Economy | RANK | SCORE | RANK | SCORE | RANK | SCORE | RANK | SCORE | RANK | SCORE |
| Sweden | 4 | 6.06 | 2 | 6.06 | 13 | 5.74 | 13 | 6.08 | 18 | 6.35 |
| Finland | 5 | 6.02 | 4 | 5.98 | 19 | 5.62 | 20 | 5.71 | 1 | 6.76 |
| Germany | 11 | 5.83 | 19 | 5.27 | 2 | 6.35 | 30 | 5.43 | 23 | 6.27 |
| Denmark | 8 | 5.86 | 5 | 5.94 | 10 | 5.89 | 31 | 5.39 | 28 | 6.24 |
| Netherlands | 7 | 5.88 | 10 | 5.61 | 7 | 6.02 | 36 | 6.34 | 7 | 6.54 |
| Luxembourg | 6 | 5.90 | 8 | 5.67 | 21 | 5.61 | 15 | 6.04 | 25 | 6.26 |
| Austria | 18 | 5.65 | 20 | 5.24 | 18 | 5.64 | 33 | 5.39 | 19 | 6.32 |
| France | 23 | 5.57 | 28 | 5.00 | 4 | 6.30 | 83 | 4.60 | 16 | 6.37 |
| United Kingdom | 21 | 5.60 | 15 | 5.34 | 6 | 6.09 | 85 | 4.54 | 14 | 6.42 |
| Belgium | 22 | 5.58 | 27 | 5.03 | 17 | 5.65 | 60 | 4.90 | 2 | 6,75 |
| Estonia | 27 | 5.41 | 29 | 4.99 | 40 | 4.71 | 21 | 5.71 | 26 | 6.26 |
| Cyprus | 32 | 5.26 | 36 | 4,76 | 31 | 5.01 | 64 | 4.81 | 13 | 6.45 |
| Slovenia | 39 | 5.12 | 55 | 4.08 | 37 | 4.81 | 35 | 5.34 | 24 | 6.26 |
| Ireland | 37 | 5.20 | 23 | 5.19 | 29 | 5.12 | 118 | 4.01 | 12 | 6.49 |
| Spain | 38 | 5.18 | 49 | 4.27 | 12 | 5.83 | 84 | 4.60 | 44 | 6.04 |
| Malta | 40 | 5.12 | 38 | 4.69 | 47 | 4.52 | 51 | 5.04 | 29 | 6.22 |
| Portugal | 44 | 5.00 | 51 | 4.20 | 23 | 5.48 | 111 | 4.21 | 34 | 6.12 |
| Czech Republic | 45 | 4.90 | 84 | 3.65 | 36 | 4.87 | 43 | 5.17 | 51 | 5.91 |
| Italy | 47 | 4.84 | 88 | 3.61 | 32 | 5.01 | 92 | 4.47 | 20 | 6.28 |
| Lithuania | 49 | 4.82 | 62 | 3.94 | 43 | 4.64 | 73 | 4.71 | 46 | 5.99 |
| Slovak Republic | 60 | 4.66 | 101 | 3.46 | 57 | 4.23 | 56 | 4.92 | 43 | 6.04 |
| Poland | 56 | 4.70 | 52 | 4.17 | 74 | 3.87 | 74 | 4.71 | 40 | 6.06 |
| Hungary | 66 | 4.60 | 66 | 3.87 | 61 | 4.12 | 93 | 4.46 | 49 | 5.94 |
| Latvia | 55 | 4.72 | 73 | 3.79 | 46 | 4.52 | 67 | 4.77 | 54 | 5.81 |
| Greece | 80 | 4.36 | 96 | 3.52 | 45 | 4.54 | 140 | 3.29 | 37 | 6.09 |
| Bulgaria | 74 | 4.46 | 110 | 3.32 | 87 | 3.62 | 46 | 5.13 | 57 | 5.80 |
| Romania | 89 | 4.28 | 99 | 3.49 | 95 | 3.37 | 87 | 4.52 | 66 | 5.72 |

**APPENDIX VIII: GCI IN EU 2012 EFFICIENCY ENHANCERS**

| **EU-27 2012** | **EFFICIENCY ENHANCERS** | | 5. HIGHER EDUCATION AND TRAINING | | 6. GOODS MARKET EFFICIENCY | | 7. LABOR MARKET EFFICIENCY | |
|---|---|---|---|---|---|---|---|---|
| Economy | RANK | SCORE | RANK | SCORE | RANK | SCORE | RANK | SCORE |
| Sweden | 7 | 5.33 | 2 | 5.81 | 7 | 5.21 | 25 | 4.82 |
| UK | 5 | 5.43 | 16 | 5.47 | 19 | 4.97 | 7 | 5.36 |
| Netherlands | 8 | 5.29 | 8 | 5.66 | 9 | 5.17 | 23 | 4.84 |
| Denmark | 9 | 5.27 | 6 | 5.75 | 16 | 5.06 | 6 | 5.39 |
| Germany | 13 | 5.18 | 7 | 5.73 | 26 | 4.79 | 64 | 4.41 |
| Finland | 10 | 5.19 | 1 | 6.09 | 21 | 4.89 | 15 | 4.94 |
| France | 17 | 5.09 | 20 | 5.24 | 38 | 4.56 | 8 | 4.38 |
| Belgium | 15 | 5.13 | 5 | 5.75 | 14 | 5.06 | 44 | 4.61 |
| Austria | 19 | 4.94 | 18 | 5.38 | 20 | 4.89 | 29 | 4.76 |
| Luxembourg | 23 | 4.86 | 40 | 4.69 | 2 | 5.44 | 41 | 4.63 |
| Ireland | 28 | 4.67 | 22 | 5.15 | 13 | 5.10 | 17 | 4.90 |
| Czech Rep | 29 | 4.63 | 30 | 4.95 | 36 | 4.58 | 42 | 4.62 |
| Poland | 30 | 4.61 | 31 | 4.95 | 52 | 4.36 | 58 | 4.48 |
| Spain | 32 | 4.58 | 32 | 4.90 | 66 | 4.23 | 119 | 3.84 |
| Estonia | 36 | 4.52 | 23 | 5.15 | 29 | 4.74 | 16 | 4.92 |
| Cyprus | 46 | 4.32 | 39 | 4.70 | 27 | 4.78 | 60 | 4.44 |
| Slovak Rep | 44 | 4.38 | 53 | 4.50 | 51 | 4.36 | 59 | 4.47 |
| Hungary | 42 | 4.39 | 45 | 4.66 | 55 | 4.32 | 66 | 4.38 |
| Portugal | 39 | 4.42 | 35 | 4.82 | 62 | 4.27 | 122 | 3.79 |
| Italy | 40 | 4.41 | 41 | 4.69 | 59 | 4.30 | 123 | 3.77 |
| Slovenia | 51 | 4.23 | 21 | 5.16 | 48 | 4.37 | 102 | 4.00 |
| Malta | 47 | 4.32 | 37 | 4.81 | 34 | 4.61 | 103 | 3.99 |
| Lithuania | 48 | 4.31 | 26 | 5.08 | 64 | 4.25 | 54 | 4.53 |
| Romania | 62 | 4.09 | 55 | 4.42 | 96 | 3.96 | 92 | 4.10 |
| Greece | 65 | 4.06 | 46 | 4.66 | 107 | 3.88 | 126 | 3.63 |
| Latvia | 54 | 4.20 | 34 | 4.84 | 60 | 4.28 | 47 | 4.59 |
| Bulgaria | 59 | 4.10 | 70 | 4.16 | 86 | 4.08 | 56 | 4.49 |

**APPENDIX IX(Con't GCI EU27 EFFICIENCY ENHANCERS)**

| EU 27 2012 | 8. FINANCIAL MARKET DEVELOPMENT | | 9.TECHNOLOGICAL READINESS | | 10. MARKET SIZE | |
|---|---|---|---|---|---|---|
| Sweden | 11 | 5,24 | 2 | 6,29 | 31 | 4,59 |
| UK | 20 | 4,94 | 8 | 6,08 | 6 | 5,77 |
| Netherlands | 23 | 4,86 | 5 | 6,13 | 18 | 5,1 |
| Denmark | 17 | 5,01 | 4 | 6,2 | 53 | 4,21 |
| Germany | 39 | 4,54 | 14 | 5,61 | 5 | 6 |
| Finland | 9 | 5,34 | 12 | 5,75 | 54 | 4,15 |
| France | 18 | 5 | 13 | 5,63 | 7 | 5,74 |
| Belgium | 28 | 4,76 | 11 | 5,8 | 26 | 4,78 |
| Austria | 31 | 4,64 | 15 | 5,4 | 35 | 4,58 |
| Luxembourg | 8 | 5,34 | 9 | 6 | 96 | 3,04 |
| Ireland | 115 | 3,44 | 17 | 5,34 | 56 | 4,12 |
| Czech Rep. | 53 | 4,31 | 31 | 4,82 | 40 | 4,48 |
| Poland | 34 | 4,6 | 48 | 4,18 | 20 | 5,08 |
| Spain | 64 | 4,14 | 28 | 4,95 | 13 | 5,44 |
| Estonia | 41 | 4,51 | 27 | 4,95 | 100 | 2,89 |
| Cyprus | 25 | 4,83 | 41 | 4,36 | 103 | 2,83 |
| Slovak Rep. | 47 | 4,44 | 37 | 4,54 | 58 | 3,99 |
| Hungary | 63 | 4,15 | 36 | 4,55 | 52 | 4,24 |
| Portugal | 78 | 3,98 | 19 | 5,31 | 45 | 4,35 |
| Italy | 97 | 3,73 | 42 | 4,34 | 9 | 5,62 |
| Slovenia | 102 | 3,62 | 32 | 4,54 | 58 | 3,99 |
| Malta | 15 | 5,11 | 26 | 5,05 | 127 | 2,33 |
| Lithuania | 89 | 3,86 | 34 | 4,7 | 79 | 3,46 |
| Romania | 84 | 3,91 | 60 | 3,76 | 44 | 4,39 |
| Greece | 110 | 3,52 | 47 | 4,21 | 42 | 4,42 |
| Latvia | 60 | 4,17 | 46 | 4,26 | 95 | 3,05 |
| Bulgaria | 75 | 3,99 | 50 | 4,11 | 64 | 3,8 |

## APPENDIX X: GCI IN EU27 2012: INNOVATION AND SOPHISTICATION FACTORS

| EU-27 2012 | INNOVATION AND SOPHISTICATION FACTORS | | 11. BUSINESS SOPHISTICATION | | 12. INNOVATION | |
|---|---|---|---|---|---|---|
| Country/Economy | RANK | SCORE | RANK | SCORE | RANK | SCORE |
| Sweden | 2 | 5.79 | 2 | 5.83 | 2 | 5.76 |
| Germany | 5 | 5.53 | 4 | 5.66 | 7 | 5.39 |
| Finland | 4 | 5.56 | 9 | 5.40 | 3 | 5.72 |
| Netherlands | 9 | 5.30 | 5 | 5.58 | 12 | 5.03 |
| Denmark | 8 | 5.31 | 6 | 5.53 | 10 | 5.10 |
| United Kingdom | 12 | 5.17 | 8 | 5.41 | 13 | 4.94 |
| Austria | 13 | 5.12 | 7 | 5,46 | 16 | 4.79 |
| Belgium | 14 | 5.06 | 11 | 5.30 | 15 | 4.83 |
| France | 17 | 4.93 | 14 | 5.14 | 17 | 4.72 |
| Luxembourg | 20 | 4.75 | 21 | 4,98 | 21 | 4.52 |
| Ireland | 23 | 4.65 | 22 | 4.93 | 23 | 4.37 |
| Czech Republic | 32 | 4.09 | 36 | 4.42 | 33 | 3.77 |
| Italy | 30 | 4.18 | 26 | 4.85 | 43 | 3.51 |
| Slovenia | 45 | 3.87 | 49 | 4.19 | 40 | 3.55 |
| Cyprus | 48 | 3.83 | 48 | 4.19 | 45 | 3.48 |
| Portugal | 38 | 3,98 | 50 | 4,19 | 32 | 3,77 |
| Spain | 33 | 4.03 | 34 | 4.51 | 39 | 3.55 |
| Estonia | 37 | 3.98 | 53 | 4.16 | 30 | 3.81 |
| Malta | 49 | 3.83 | 42 | 4.28 | 51 | 3.38 |
| Lithuania | 50 | 3.78 | 54 | 4.13 | 48 | 3.43 |
| Poland | 57 | 3.64 | 60 | 4.06 | 58 | 3.23 |
| Hungary | 52 | 3.75 | 69 | 3.88 | 34 | 3.62 |
| Slovak Republic | 71 | 3.46 | 63 | 4.00 | 96 | 2.91 |
| Greece | 81 | 3.39 | 77 | 3.79 | 88 | 2.98 |
| Latvia | 64 | 3.53 | 71 | 3.84 | 59 | 3.21 |
| Romania | 99 | 3.20 | 102 | 3.48 | 95 | 2.91 |
| Bulgaria | 96 | 3.24 | 96 | 3.55 | 93 | 2.94 |

**APPENDIX XI:**

| EASE OF DOING BUSINESS IN SERBIA 2011[17] | | |
|---|---|---|
| **indicators** | **2011-2012** | **2010-2011** |
| **Ease of Doing Business Rank** | 92 | 89 |
| **Starting a Business** | 92 | 83 |
| **Dealing with Construction Permits** | 175 | 176 |
| **Getting Electricity** | 79 | X |
| **Registering Property** | 39 | 100 |
| **Getting Credit** | 24 | 15 |
| **Protecting Investors** | 79 | 74 |
| **Paying Taxes** | 143 | 138 |
| **Trading Across Borders** | 79 | 74 |
| **Enforcing Contracts** | 104 | 94 |
| **Resolving Insolvency** | 113 | 86 |

[17] The World Economic Forum, Global Competitiveness Index 2011-2012

**APPENDIX XII**

| EASE OF DOING BUSINESS BALKANS RANK 2005-2011[1] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | ECONOMY | 2005 | 2006 | 2007 | 2008 | 2009/2010 | 2010/2011 | 2011/2012 |
| 1 | Albania | 117 | 120 | 136 | 86 | 82 | 82 | 82 |
| 2 | BiH | 87 | 95 | 105 | 119 | 116 | 110 | 125 |
| 3 | Bulgaria | 62 | 54 | 46 | 45 | 44 | 51 | 59 |
| 4 | Croatia | 118 | 124 | 97 | 106 | 103 | 84 | 80 |
| 5 | FYROM | 81 | 92 | 75 | 71 | 32 | 38 | 22 |
| 6 | Greece | 80 | 109 | 100 | 96 | 109 | 109 | 100 |
| 7 | Moldova | 83 | 103 | 92 | 103 | 94 | 90 | 81 |
| 8 | Montenegro | 92 | 70 | 81 | 90 | 71 | 66 | 56 |
| 9 | Romania | 78 | 49 | 48 | 47 | 55 | 56 | 72 |
| **10** | **Serbia** | **92** | **68** | **86** | **94** | **88** | **89** | **92** |
| 11 | Slovenia | 63 | 61 | 55 | 54 | 53 | 42 | 37 |
| 12 | Turkey | 93 | 91 | 57 | 59 | 73 | 65 | 71 |
| | AVERAGE | 87,17 | 86,33 | 81,5 | 80,83 | 76,67 | 73,5 | 73,08 |
| | NUMBER OF ECONOMIES | **155** | **175** | **178** | **181** | **183** | **183** | **183** |
| | NUMBER OF PILLARS | **10** | **10** | **10** | **10** | **10** | **9** | **10** |

[1] Sources: The World Bank, Doing Business Reports 2005-2012

best ranking in the region

worst ranking in the region

**APPENDIX XIII**

| EASE OF DOING BUSINESS BALKANS PILLARS 2011 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Ease of Doing Business Rank | Starting a Business | Dealing with Construction Permits | Getting Electricity | Registering Property | Getting Credit | Protecting Investors | Paying Taxes | Trading Across Borders | Enforcing Contracts | Resolving Insolvency |
| | ECONOMY | | | | | | | | | | | |
| 1 | FYROM | 22 | 6 | 61 | 121 | 49 | 24 | 17 | 26 | 67 | 60 | 55 |
| 2 | Slovenia | 37 | 28 | 81 | 27 | 79 | 98 | 24 | 87 | 50 | 58 | 39 |
| 3 | Montenegro | 56 | 47 | 173 | 71 | 108 | 8 | 29 | 108 | 34 | 133 | 52 |
| 4 | Bulgaria | 59 | 49 | 128 | 133 | 66 | 8 | 46 | 69 | 91 | 87 | 90 |
| 5 | Turkey | 71 | 61 | 155 | 72 | 44 | 78 | 65 | 79 | 80 | 51 | 120 |
| 6 | Romania | 72 | 63 | 123 | 165 | 70 | 8 | 46 | 154 | 72 | 56 | 97 |
| 7 | Croatia | 80 | 67 | 143 | 56 | 102 | 48 | 133 | 32 | 100 | 48 | 94 |
| 8 | Moldova | 81 | 88 | 164 | 160 | 18 | 40 | 111 | 83 | 134 | 26 | 91 |
| 9 | Albania | 82 | 61 | 183 | 154 | 118 | 24 | 16 | 152 | 76 | 85 | 64 |
| **10** | **Serbia** | **92** | **92** | **175** | **79** | **39** | **24** | **79** | **143** | **79** | **104** | **113** |
| 11 | Greece | 100 | 41 | 41 | 77 | 150 | 78 | 155 | 83 | 84 | 90 | 57 |
| 12 | BiH | 125 | 162 | 163 | 157 | 100 | 67 | 97 | 110 | 108 | 125 | 80 |
| | AVERAGE | 52,83 | 42,33 | 120,17 | 98,17 | 69,33 | 37,33 | 37,83 | 87,17 | 65,67 | 74,17 | 75,5 |

**APPENDIX XIV**

## Starting a Business Balkans

| | | Starting a Business RANK | Procedures | Time | Cost | Paid-in Min. Capital |
|---|---|---|---|---|---|---|
| | ECONOMY | | | | | |
| 1 | FYROM | 6 | 3 | 3 | 2.4 | 0.0 |
| 2 | Slovenia | 28 | 2 | 6 | 0.0 | 43.6 |
| 3 | Montenegro | 47 | 6 | 10 | 1.8 | 0.0 |
| 4 | Bulgaria | 49 | 4 | 18 | 1.5 | 0.0 |
| 5 | Albania | 61 | 5 | 5 | 29.0 | 0.0 |
| 6 | Turkey | 61 | 6 | 6 | 11.2 | 8.7 |
| 7 | Romania | 63 | 6 | 14 | 3.0 | 0.8 |
| 8 | Croatia | 67 | 6 | 7 | 8.6 | 13.8 |
| 9 | Moldova | 88 | 4 | 18 | 1.5 | 0.0 |
| **10** | **Serbia** | **92** | **7** | **13** | **7.8** | **6.0** |
| 11 | Greece | 135 | 10 | 10 | 20.1 | 22.8 |
| 12 | BiH | 162 | 12 | 40 | 17.0 | 29.4 |

**APPENDIX XV**

| Dealing with Construction Permits Balkans | | | | | |
|---|---|---|---|---|---|
| | | **Dealing with Construction Permits Rank** | **Procedures** | **Time** | **Cost** |
| | **ECONOMY** | | | | |
| 1 | Greece | 41 | 14 | 169 | 3.4 |
| 2 | FYROM | 61 | 10 | 117 | 552.7 |
| 3 | Slovenia | 81 | 13 | 199 | 64.9 |
| 4 | Romania | 123 | 16 | 287 | 73.0 |
| 5 | Bulgaria | 128 | 23 | 120 | 317.0 |
| 6 | Croatia | 143 | 12 | 317 | 591.1 |
| 7 | Turkey | 155 | 24 | 189 | 197.7 |
| 8 | BiH | 163 | 18 | 181 | 1,112.9 |
| 9 | Moldova | 164 | 27 | 291 | 79.2 |
| 10 | Montenegro | 173 | 17 | 267 | 1,469.9 |
| **11** | **Serbia** | **175** | **19** | **279** | **1,603.8** |
| 12 | Albania | 183 | no practice | no practice | no practice |

**APPENDIX XVI**

| Getting Electricity Balkans | | | | | |
|---|---|---|---|---|---|
| | | **Getting Electricity Rank** | **Procedures** | **Time** | **Cost** |
| | **ECONOMY** | | | | |
| 1 | Slovenia | 27 | 5 | 38 | 119.1 |
| 2 | Croatia | 56 | 5 | 70 | 328.6 |
| 3 | Montenegro | 71 | 5 | 71 | 533.4 |
| 4 | Turkey | 72 | 5 | 70 | 624.4 |
| 5 | Greece | 77 | 6 | 77 | 59.2 |
| **6** | **Serbia** | **79** | **4** | **131** | **545.7** |
| 7 | FYROM | 121 | 5 | 151 | 847.4 |
| 8 | Bulgaria | 133 | 6 | 130 | 366.6 |
| 9 | Albania | 154 | 6 | 177 | 585.6 |
| 10 | BiH | 157 | 8 | 125 | 497.6 |
| 11 | Moldova | 160 | 7 | 140 | 660.6 |
| 12 | Romania | 165 | 7 | 223 | 556.9 |

**APPENDIX XVII**

| Registering Property Balkans | | | | | |
|---|---|---|---|---|---|
| | | **Registering Property Rank** | **Procedures** | **Time** | **Cost** |
| | **ECONOMY** | | | | |
| 1 | Moldova | 18 | 5 | 5 | 0.9 |
| **2** | **Serbia** | **39** | **6** | **11** | **2.8** |
| 3 | Turkey | 44 | 6 | 6 | 3.3 |
| 4 | FYROM | 49 | 4 | 40 | 3.1 |
| 5 | Bulgaria | 66 | 8 | 15 | 3.0 |
| 6 | Romania | 70 | 8 | 26 | 1.2 |
| 7 | Slovenia | 79 | 5 | 110 | 2.0 |
| 8 | BiH | 100 | 7 | 33 | 5.3 |
| 9 | Croatia | 102 | 5 | 104 | 5.0 |
| 10 | Montenegro | 108 | 7 | 71 | 3.1 |
| 11 | Albania | 118 | 6 | 33 | 11.9 |
| 12 | Greece | 150 | 11 | 18 | 12.0 |

**APPENDIX XVIII**

| Getting Credit Balkans | | | | | | |
|---|---|---|---|---|---|---|
| | | Getting Credit Rank | Strength of legal rights index (0-10) | Depth of Credit Information Index (0-6) | Public Registry Coverage (%of adults) | Private Bureau Coverage (%of adults) |
| | **ECONOMY** | | | | | |
| 1 | Bulgaria | 8 | 8 | 6 | 52.8 | 28.8 |
| 2 | Montenegro | 8 | 10 | 4 | 26.4 | 0.0 |
| 3 | Romania | 8 | 9 | 5 | 15.2 | 42.0 |
| 4 | Albania | 24 | 9 | 4 | 12.0 | 0.0 |
| 5 | FYROM | 24 | 7 | 6 | 34.3 | 68.3 |
| **6** | **Serbia** | **24** | **8** | **5** | **0.0** | **100.0** |
| 7 | Moldova | 40 | 8 | 4 | 0.0 | 3.0 |
| 8 | Croatia | 48 | 6 | 5 | 0.0 | 100.0 |
| 9 | BiH | 67 | 5 | 5 | 35.3 | 39.6 |
| 10 | Greece | 78 | 4 | 5 | 0.0 | 82.4 |
| 11 | Turkey | 78 | 4 | 5 | 23.8 | 60.5 |
| 12 | Slovenia | 98 | 4 | 4 | 3.3 | 100.0 |

**APPENDIX XIX**

## Protecting Investors Balkans

| | | Protecting Investors Rank | Extent of Disclosure Index (0-10) | Extent of Director Liability Index (0-10) | Ease of shareholder suits index (0-10) | Strength of investor protection index (0-10) |
|---|---|---|---|---|---|---|
| | **ECONOMY** | | | | | |
| 1 | Albania | 16 | 8 | 9 | 5 | 7.3 |
| 2 | FYROM | 17 | 9 | 7 | 5 | 7.0 |
| 3 | Slovenia | 24 | 3 | 9 | 8 | 6.7 |
| 4 | Montenegro | 29 | 5 | 8 | 6 | 6.3 |
| 5 | Bulgaria | 46 | 10 | 1 | 7 | 6.0 |
| 6 | Romania | 46 | 9 | 5 | 4 | 6.0 |
| 7 | Turkey | 65 | 9 | 4 | 4 | 5.7 |
| **8** | **Serbia** | **79** | **7** | **6** | **3** | **5.3** |
| 9 | BiH | 97 | 3 | 6 | 6 | 5.0 |
| 10 | Moldova | 111 | 7 | 1 | 6 | 4.7 |
| 11 | Croatia | 133 | 1 | 5 | 6 | 4.0 |
| 12 | Greece | 155 | 1 | 4 | 5 | 3.3 |

**APPENDIX XX**

| Paying Taxes Balkans | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Paying taxes Rank** | **Payments (number per year)** | **Time (hours per year)** | **Profit tax (%)** | **Labour tax and contributions (%)** | **Other taxes (%)** | **Total tax rate (% profit)** |
| | **ECONOMY** | | | | | | | |
| 1 | FYROM | 26 | 28 | 119 | 6.3 | 0.0 | 3.4 | 9.7 |
| 2 | Croatia | 32 | 17 | 196 | 11.5 | 19.4 | 1.5 | 32.3 |
| 3 | Bulgaria | 69 | 17 | 500 | 4.9 | 19.2 | 4.1 | 28.1 |
| 4 | Turkey | 79 | 15 | 223 | 17.9 | 18.8 | 4.4 | 41.1 |
| 5 | Greece | 83 | 10 | 224 | 13.4 | 31.7 | 1.4 | 46.4 |
| 6 | Moldova | 83 | 48 | 228 | 0.0 | 30.6 | 0.7 | 31.3 |
| 7 | Slovenia | 87 | 22 | 260 | 14.1 | 18.2 | 2.4 | 34.7 |
| 8 | Montenegro | 108 | 42 | 372 | 7.1 | 12.8 | 2.4 | 22.3 |
| 9 | BiH | 110 | 40 | 422 | 7.1 | 12.6 | 5.3 | 25.0 |
| **10** | **Serbia** | **143** | **66** | **279** | **11.6** | **20.2** | **2.2** | **34.0** |
| 11 | Albania | 152 | 44 | 371 | 8.7 | 25.0 | 4.8 | 38.5 |
| 12 | Romania | 154 | 113 | 222 | 10.4 | 31.8 | 2.2 | 44.4 |

**APPENDIX XXI**

## Trading Across Borders Balkans

| | | Trading Across Borders Rank | Documents to export (number) | Time to export (days) | Cost to export (US$ per container) | Documents to import (number) | Time to import (days) | Cost to import (US$ per container) |
|---|---|---|---|---|---|---|---|---|
| | ECONOMY | | | | | | | |
| 1 | Montenegro | 34 | 6 | 14 | 805 | 6 | 14 | 915 |
| 2 | Slovenia | 50 | 6 | 16 | 710 | 8 | 15 | 765 |
| 3 | FYROM | 67 | 6 | 12 | 1,376 | 6 | 11 | 1,38 |
| 4 | Romania | 72 | 5 | 12 | 1,485 | 6 | 13 | 1,495 |
| 5 | Albania | 76 | 7 | 19 | 745 | 8 | 18 | 730 |
| **6** | **Serbia** | **79** | **6** | **12** | **1,433** | **6** | **14** | **1,609** |
| 7 | Turkey | 80 | 7 | 14 | 990 | 8 | 15 | 1,063 |
| 8 | Greece | 84 | 5 | 20 | 1,153 | 6 | 25 | 1,265 |
| 9 | Bulgaria | 91 | 5 | 21 | 1,551 | 6 | 17 | 1,666 |
| 10 | Croatia | 100 | 7 | 20 | 1,3 | 8 | 16 | 1,18 |
| 11 | BiH | 108 | 8 | 15 | 1,24 | 9 | 16 | 1,2 |
| 12 | Moldova | 134 | 6 | 32 | 1,545 | 7 | 35 | 1,74 |

**APPENDIX XXII**

## Enforcing Contracts Balkans

| | | Enforcing Contracts Rank | Procedures (number) | Time (days) | Cost (%of claim) |
|---|---|---|---|---|---|
| | ECONOMY | | | | |
| 1 | Moldova | 26 | 352 | 28.6 | 30 |
| 2 | Croatia | 48 | 561 | 13.8 | 38 |
| 3 | Turkey | 51 | 420 | 27.9 | 36 |
| 4 | Romania | 56 | 512 | 28.9 | 31 |
| 5 | Slovenia | 58 | 1,29 | 12.7 | 32 |
| 6 | FYROM | 60 | 370 | 31.1 | 37 |
| 7 | Albania | 85 | 390 | 35.7 | 39 |
| 8 | Bulgaria | 87 | 564 | 23.8 | 39 |
| 9 | Greece | 90 | 819 | 14.4 | 39 |
| **10** | **Serbia** | **104** | **635** | **31.3** | **36** |
| 11 | BiH | 125 | 595 | 40.4 | 37 |
| 12 | Montenegro | 133 | 545 | 25.7 | 49 |

**APPENDIX XXIII**

## Resolving Insolvency Balkans

| | | Resolving Insolvency Rank | Time (years) | Cost (%of estate) | Recovery Rate (Cents on the dollar) |
|---|---|---|---|---|---|
| | ECONOMY | | | | |
| 1 | Slovenia | 39 | 2.0 | 4 | 51.1 |
| 2 | Montenegro | 52 | 2.0 | 8 | 43.3 |
| 3 | FYROM | 55 | 2.0 | 10 | 42.0 |
| 4 | Greece | 57 | 2.0 | 9 | 41.8 |
| 5 | Albania | 64 | 2.0 | 10 | 40.2 |
| 6 | BiH | 80 | 3.3 | 9 | 35.0 |
| 7 | Bulgaria | 90 | 3.3 | 9 | 31.4 |
| 8 | Moldova | 91 | 2.8 | 9 | 31.3 |
| 9 | Croatia | 94 | 3.1 | 15 | 29.7 |
| 10 | Romania | 97 | 3.3 | 11 | 28.6 |
| **11** | **Serbia** | **113** | **2.7** | **23** | **24.4** |
| 12 | Turkey | 120 | 3.3 | 15 | 22.3 |

| APPENDIX XXIV | EASE OF DOING BUSINESS EU27 RANK 2005-2010 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | ECONOMY | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| 1 | Austria | 32 | 30 | 25 | 27 | 28 | 32 | 32 |
| 2 | Belgium | 18 | 20 | 19 | 19 | 22 | 25 | 28 |
| 3 | Bulgaria | 62 | 54 | 46 | 45 | 44 | 51 | 59 |
| 4 | Cyprus | x | x | x | x | 40 | 37 | 40 |
| 5 | Czech Republic | 41 | 52 | 56 | 75 | 74 | 63 | 64 |
| 6 | Denmark | 8 | 7 | 5 | 5 | 6 | 6 | 5 |
| 7 | Estonia | 16 | 17 | 17 | 22 | 24 | 17 | 24 |
| 8 | Finland | 13 | 14 | 13 | 14 | 16 | 13 | 11 |
| 9 | France | 44 | 35 | 31 | 31 | 31 | 26 | 29 |
| 10 | Germany | 19 | 21 | 20 | 25 | 25 | 22 | 19 |
| 11 | Greece | 80 | 109 | 100 | 96 | 109 | 109 | 100 |
| 12 | Hungary | 52 | 66 | 45 | 41 | 47 | 46 | 51 |
| 13 | Ireland | 11 | 10 | 8 | 7 | 7 | 9 | 10 |
| 14 | Italy | 70 | 82 | 53 | 65 | 78 | 80 | 87 |
| 15 | Latvia | 26 | 24 | 22 | 29 | 27 | 24 | 21 |
| 16 | Lithuania | 15 | 16 | 26 | 28 | 26 | 23 | 27 |
| 17 | Luxembourg | x | x | 42 | 50 | 64 | 45 | 50 |
| 18 | Malta | x | x | x | x | x | x | x |
| 19 | Netherlands | 24 | 22 | 21 | 26 | 30 | 30 | 31 |
| 20 | Poland | 54 | 75 | 74 | 76 | 72 | 70 | 62 |
| 21 | Portugal | 42 | 40 | 37 | 48 | 48 | 31 | 30 |
| 22 | Romania | 78 | 49 | 48 | 47 | 55 | 56 | 72 |
| 23 | Slovak Republic | 37 | 36 | 32 | 36 | 42 | 41 | 48 |
| 24 | Slovenia | 63 | 61 | 55 | 54 | 53 | 42 | 37 |
| 25 | Spain | 30 | 39 | 38 | 49 | 62 | 49 | 44 |
| 26 | Sweden | 14 | 13 | 14 | 17 | 18 | 14 | 14 |
| 27 | United Kingdom | 9 | 6 | 6 | 6 | 5 | 4 | 7 |
| | AVERAGE | 35,75 | 37,42 | 34,12 | 37,52 | 40,5 | 37,12 | 38,54 |

**APPENDIX XXV**

| Ease of Doing Business EU27 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ECONOMY | Ease of Doing Business | Starting a Business | Dealing with Construction Permits | Getting Electricity | Registering Property | Getting Credit | Protecting Investors | Paying taxes | Trading Across Borders | Enforcing Contracts | Resolving Insolvency |
| 1 | Denmark | 5 | 31 | 10 | 13 | 11 | 24 | 29 | 14 | 7 | 32 | 9 |
| 2 | UK | 7 | 19 | 22 | 60 | 68 | 1 | 10 | 24 | 13 | 21 | 6 |
| 3 | Ireland | 10 | 13 | 27 | 90 | 81 | 8 | 5 | 5 | 21 | 62 | 10 |
| 4 | Finland | 11 | 39 | 45 | 25 | 25 | 40 | 65 | 28 | 6 | 11 | 5 |
| 5 | Sweden | 14 | 46 | 23 | 8 | 19 | 48 | 29 | 50 | 8 | 54 | 19 |
| 6 | Germany | 19 | 98 | 15 | 2 | 77 | 24 | 97 | 89 | 12 | 8 | 36 |
| 7 | Latvia | 21 | 51 | 112 | 84 | 32 | 4 | 65 | 67 | 15 | 17 | 32 |
| 8 | Estonia | 24 | 44 | 89 | 48 | 13 | 40 | 166 | 51 | 3 | 29 | 72 |
| 9 | Lithuania | 27 | 101 | 47 | 81 | 7 | 48 | 65 | 62 | 28 | 15 | 40 |
| 10 | Belgium | 28 | 36 | 51 | 87 | 174 | 48 | 17 | 77 | 36 | 20 | 8 |
| 11 | France | 29 | 25 | 30 | 62 | 149 | 48 | 79 | 58 | 24 | 6 | 46 |
| 12 | Portugal | 30 | 26 | 97 | 34 | 31 | 126 | 46 | 78 | 26 | 22 | 22 |
| 13 | Netherlands | 31 | 79 | 99 | 67 | 48 | 48 | 111 | 43 | 13 | 28 | 7 |
| 14 | Austria | 32 | 134 | 76 | 21 | 35 | 24 | 133 | 82 | 25 | 9 | 21 |
| 15 | Slovenia | 37 | 28 | 81 | 27 | 79 | 98 | 24 | 87 | 50 | 58 | 39 |
| 16 | Cyprus | 40 | 33 | 78 | 96 | 123 | 78 | 29 | 37 | 19 | 105 | 23 |
| 17 | Spain | 44 | 133 | 38 | 69 | 56 | 48 | 97 | 48 | 55 | 54 | 20 |
| 18 | Slovak Rep. | 48 | 76 | 50 | 102 | 10 | 24 | 111 | 130 | 95 | 71 | 35 |
| 19 | Luxembourg | 50 | 81 | 33 | 63 | 134 | 150 | 122 | 17 | 31 | 1 | 49 |
| 20 | Hungary | 51 | 39 | 55 | 103 | 43 | 48 | 122 | 117 | 74 | 19 | 66 |
| 21 | Bulgaria | 59 | 49 | 128 | 133 | 66 | 8 | 46 | 69 | 91 | 87 | 90 |
| 22 | Poland | 62 | 126 | 160 | 64 | 89 | 8 | 46 | 128 | 46 | 68 | 87 |
| 23 | Czech Rep. | 64 | 138 | 68 | 148 | 34 | 48 | 97 | 119 | 70 | 78 | 33 |
| 24 | Romania | 72 | 63 | 123 | 165 | 70 | 8 | 46 | 32 | 72 | 56 | 97 |
| 25 | Italy | 87 | 77 | 96 | 109 | 84 | 98 | 65 | 134 | 63 | 158 | 30 |
| 26 | Greece | 100 | 135 | 41 | 77 | 150 | 78 | 155 | 83 | 108 | 90 | 57 |
| 27 | Malta | x | x | x | X | x | x | x | x | x | x | x |

**APPENDIX XXVI**

| Starting a Business EU27 | | | | | | |
|---|---|---|---|---|---|---|
| | ECONOMY | Starting a Business RANK | Procedures | Time | Cost | Paid-in Min. Capital |
| 1 | Ireland | 13 | 4 | 13 | 0.4 | 0.0 |
| 2 | United Kingdom | 19 | 6 | 13 | 0.7 | 0.0 |
| 3 | France | 25 | 5 | 7 | 0.9 | 0.0 |
| 4 | Portugal | 26 | 5 | 5 | 2.3 | 0.0 |
| 5 | Slovenia | 28 | 2 | 6 | 0.0 | 43.6 |
| 6 | Denmark | 31 | 4 | 6 | 0.0 | 25.0 |
| 7 | Cyprus | 33 | 6 | 8 | 13.1 | 0.0 |
| 8 | Belgium | 36 | 3 | 4 | 5.2 | 18.9 |
| 9 | Finland | 39 | 3 | 14 | 1.0 | 7.3 |
| 10 | Hungary | 39 | 4 | 4 | 7.6 | 9.7 |
| 11 | Estonia | 44 | 5 | 7 | 1.8 | 24.4 |
| 12 | Sweden | 46 | 3 | 15 | 0.6 | 14.0 |
| 13 | Bulgaria | 49 | 4 | 18 | 1.5 | 0.0 |
| 14 | Latvia | 51 | 4 | 16 | 2.6 | 0.0 |
| 15 | Romania | 63 | 6 | 14 | 3.0 | 0.8 |
| 16 | Slovak Republic | 76 | 6 | 18 | 1.8 | 20.9 |
| 17 | Italy | 77 | 6 | 6 | 18.2 | 9.9 |
| 18 | Netherlands | 79 | 6 | 8 | 5.5 | 50.4 |
| 19 | Luxembourg | 81 | 6 | 19 | 1.9 | 21.2 |
| 20 | Germany | 98 | 9 | 15 | 4.6 | 0.0 |
| 21 | Lithuania | 101 | 6 | 22 | 2.8 | 35.7 |
| 22 | Poland | 126 | 6 | 32 | 17.3 | 14.0 |
| 23 | Spain | 133 | 10 | 28 | 4.7 | 13.2 |
| 24 | Austria | 134 | 8 | 28 | 5.2 | 52.0 |
| 25 | Greece | 135 | 10 | 10 | 20.1 | 22.8 |
| 26 | Czech Republic | 138 | 9 | 20 | 8.4 | 30.7 |
| 27 | Malta | x | x | x | x | x |

**APPENDIX XXVII**

| Dealing with Construction Permits EU27 | | | | | |
|---|---|---|---|---|---|
| | ECONOMY | Dealing with Construction Permits Rank | Procedures | Time | Cost |
| 1 | Denmark | 10 | 5 | 67 | 59.1 |
| 2 | Germany | 15 | 9 | 97 | 49.7 |
| 3 | United Kingdom | 22 | 9 | 99 | 63.8 |
| 4 | Sweden | 23 | 7 | 116 | 81.6 |
| 5 | Ireland | 27 | 10 | 141 | 33.1 |
| 6 | France | 30 | 10 | 184 | 13.6 |
| 7 | Luxembourg | 33 | 12 | 157 | 19.5 |
| 8 | Spain | 38 | 8 | 182 | 51.8 |
| 9 | Greece | 41 | 14 | 169 | 3.4 |
| 10 | Finland | 45 | 16 | 66 | 66.6 |
| 11 | Lithuania | 47 | 15 | 142 | 25.5 |
| 12 | Slovak Republic | 50 | 11 | 286 | 7.2 |
| 13 | Belgium | 51 | 12 | 169 | 53.6 |
| 14 | Hungary | 55 | 29 | 102 | 5.8 |
| 15 | Czech Republic | 68 | 33 | 120 | 10.9 |
| 16 | Austria | 76 | 13 | 194 | 60.8 |
| 17 | Cyprus | 78 | 9 | 677 | 47.5 |
| 18 | Slovenia | 81 | 13 | 199 | 64.9 |
| 19 | Estonia | 89 | 13 | 148 | 278.6 |
| 20 | Italy | 96 | 11 | 258 | 138.1 |
| 21 | Portugal | 97 | 14 | 255 | 47.2 |
| 22 | Netherlands | 99 | 15 | 176 | 107.8 |
| 23 | Latvia | 112 | 23 | 205 | 21.0 |
| 24 | Romania | 123 | 16 | 287 | 73.0 |
| 25 | Bulgaria | 128 | 23 | 120 | 317.0 |
| 26 | Poland | 160 | 30 | 301 | 53.6 |
| 27 | Malta | x | x | x | x |

**APPENDIX XXVIII**

| Getting Electricity EU27 | | | | | |
|---|---|---|---|---|---|
| | ECONOMY | Getting Electricity Rank | Procedures | Time | Cost |
| 1 | Germany | 2 | 3 | 17 | 49.9 |
| 2 | Sweden | 8 | 3 | 52 | 20.7 |
| 3 | Denmark | 13 | 4 | 38 | 120.6 |
| 4 | Austria | 21 | 5 | 23 | 110.8 |
| 5 | Finland | 25 | 5 | 53 | 31.7 |
| 6 | Slovenia | 27 | 5 | 177 | 242.2 |
| 7 | Portugal | 34 | 5 | 64 | 54.6 |
| 8 | Estonia | 48 | 4 | 111 | 222.5 |
| 9 | United Kingdom | 60 | 5 | 109 | 72.3 |
| 10 | France | 62 | 5 | 123 | 40.2 |
| 11 | Luxembourg | 63 | 5 | 120 | 58.8 |
| 12 | Poland | 64 | 4 | 143 | 209.3 |
| 13 | Netherlands | 67 | 5 | 143 | 30.7 |
| 14 | Spain | 69 | 5 | 101 | 231.9 |
| 15 | Greece | 77 | 6 | 77 | 59.2 |
| 16 | Lithuania | 81 | 5 | 148 | 63.3 |
| 17 | Latvia | 84 | 5 | 108 | 439.1 |
| 18 | Belgium | 87 | 6 | 88 | 95.3 |
| 19 | Ireland | 90 | 5 | 205 | 91.1 |
| 20 | Cyprus | 96 | 5 | 247 | 95.3 |
| 21 | Slovak Republic | 102 | 5 | 177 | 242.2 |
| 22 | Hungary | 103 | 5 | 252 | 120.3 |
| 23 | Italy | 109 | 5 | 192 | 327.2 |
| 24 | Bulgaria | 133 | 6 | 130 | 366.6 |
| 25 | Czech Republic | 148 | 6 | 279 | 186.2 |
| 26 | Romania | 165 | 7 | 223 | 556.9 |
| 27 | Malta | x | x | x | x |

**APPENDIX XXIX**

| Registering Property EU27 | | | | | |
|---|---|---|---|---|---|
| | ECONOMY | Registering Property Rank | Procedures | Time | Cost |
| 1 | Lithuania | 7 | 3 | 3 | 0.8 |
| 2 | Slovak Republic | 10 | 3 | 17 | 0.0 |
| 3 | Denmark | 11 | 3 | 16 | 0.6 |
| 4 | Estonia | 13 | 3 | 18 | 0.4 |
| 5 | Sweden | 19 | 1 | 7 | 4.3 |
| 6 | Finland | 25 | 3 | 14 | 4.0 |
| 7 | Portugal | 31 | 1 | 1 | 7.3 |
| 8 | Latvia | 32 | 5 | 18 | 2.0 |
| 9 | Czech Republic | 34 | 4 | 25 | 3.0 |
| 10 | Austria | 35 | 3 | 21 | 4.6 |
| 11 | Hungary | 43 | 4 | 17 | 5.0 |
| 12 | Netherlands | 48 | 5 | 7 | 6.1 |
| 13 | Spain | 56 | 5 | 13 | 7.1 |
| 14 | Bulgaria | 66 | 8 | 15 | 3.0 |
| 15 | United Kingdom | 68 | 6 | 29 | 4.7 |
| 16 | Romania | 70 | 8 | 26 | 1.2 |
| 17 | Germany | 77 | 5 | 40 | 5.2 |
| 18 | Slovenia | 79 | 5 | 110 | 2.0 |
| 19 | Ireland | 81 | 5 | 38 | 6.5 |
| 20 | Italy | 84 | 7 | 27 | 4.5 |
| 21 | Poland | 89 | 6 | 152 | 0.4 |
| 22 | Cyprus | 123 | 6 | 42 | 10.3 |
| 23 | Luxembourg | 134 | 8 | 29 | 10.1 |
| 24 | France | 149 | 8 | 59 | 6.1 |
| 25 | Greece | 150 | 11 | 18 | 12.0 |
| 26 | Belgium | 174 | 8 | 64 | 12.7 |
| 27 | Malta | x | x | x | x |

**APPENDIX XXX**

| Getting Credit EU27 | | | | | |
|---|---|---|---|---|---|
| **ECONOMY** | **Getting Credit Rank** | **Strength of legal rights index (0-10)** | **Depth of Credit Information Index (0-6)** | **Public Registry Coverage (%of adults)** | **Private Bureau Coverage (%of adults)** |
| UK | 1 | 10 | 6 | 0.0 | 100.0 |
| Latvia | 4 | 10 | 5 | 59.7 | 0.0 |
| Bulgaria | 8 | 8 | 6 | 52.8 | 28.8 |
| Ireland | 8 | 9 | 5 | 0.0 | 100.0 |
| Poland | 8 | 9 | 5 | 0.0 | 74.8 |
| Romania | 8 | 9 | 5 | 15.2 | 42.0 |
| Austria | 24 | 7 | 6 | 1.7 | 51.6 |
| Denmark | 24 | 9 | 4 | 0.0 | 7.3 |
| Germany | 24 | 7 | 6 | 1.3 | 100.0 |
| Slovak Rep. | 24 | 9 | 4 | 2.6 | 56.1 |
| Estonia | 40 | 7 | 5 | 0.0 | 33.1 |
| Finland | 40 | 8 | 4 | 0.0 | 20.5 |
| Belgium | 48 | 7 | 4 | 72.6 | 0.0 |
| Czech Rep. | 48 | 6 | 5 | 6.1 | 95.7 |
| France | 48 | 7 | 4 | 43.3 | 0.0 |
| Hungary | 48 | 7 | 4 | 0.0 | 16.1 |
| Lithuania | 48 | 5 | 6 | 15.0 | 75.6 |
| Netherlands | 48 | 6 | 5 | 0.0 | 83.2 |
| Spain | 48 | 6 | 5 | 54.7 | 11.4 |
| Sweden | 48 | 7 | 4 | 0.0 | 100.0 |
| Cyprus | 78 | 9 | 0 | 0.0 | 0.0 |
| Greece | 78 | 4 | 5 | 0.0 | 82.4 |
| Italy | 98 | 3 | 5 | 23.0 | 100.0 |
| Slovenia | 98 | 4 | 4 | 3.3 | 100.0 |
| Portugal | 126 | 3 | 4 | 86.2 | 21.5 |
| Luxembourg | 150 | 6 | 0 | 0.0 | 0.0 |
| Malta | x | x | x | x | x |

**APPENDIX XXXI**

| Protecting Investors EU27 | | | | | |
|---|---|---|---|---|---|
| **ECONOMY** | **Protecting Investors Rank** | **Extent of Disclosure Index (0-10)** | **Extent of Director Liability Index (0-10)** | **Ease of shareholder suits index (0-10)** | **Strength of investor protection index (0-10)** |
| Ireland | 5 | 10 | 6 | 9 | 8.3 |
| UK | 10 | 10 | 7 | 7 | 8.0 |
| Belgium | 17 | 8 | 6 | 7 | 7.0 |
| Slovenia | 24 | 3 | 9 | 8 | 6.7 |
| Cyprus | 29 | 8 | 4 | 7 | 6.3 |
| Denmark | 29 | 7 | 5 | 7 | 6.3 |
| Sweden | 29 | 8 | 4 | 7 | 6.3 |
| Bulgaria | 46 | 10 | 1 | 7 | 6.0 |
| Poland | 46 | 7 | 2 | 9 | 6.0 |
| Portugal | 46 | 6 | 5 | 7 | 6.0 |
| Romania | 46 | 9 | 5 | 4 | 6.0 |
| Finland | 65 | 6 | 4 | 7 | 5.7 |
| Italy | 65 | 7 | 4 | 6 | 5.7 |
| Latvia | 65 | 5 | 4 | 8 | 5.7 |
| Lithuania | 65 | 7 | 4 | 6 | 5.7 |
| France | 79 | 10 | 1 | 5 | 5.3 |
| Czech Rep | 97 | 2 | 5 | 8 | 5.0 |
| Germany | 97 | 5 | 5 | 5 | 5.0 |
| Spain | 97 | 5 | 6 | 4 | 5.0 |
| Netherland | 111 | 4 | 4 | 6 | 4.7 |
| Slovak Rep | 111 | 3 | 4 | 7 | 4.7 |
| Hungary | 122 | 2 | 4 | 7 | 4.3 |
| Luxembour | 122 | 6 | 4 | 3 | 4.3 |
| Austria | 133 | 3 | 5 | 4 | 4.0 |
| Greece | 155 | 1 | 4 | 5 | 3.3 |
| Estonia | 166 | 8 | 3 | 6 | 5.7 |
| Malta | x | x | x | x | x |

**APPENDIX XXXII**

| Paying Taxes EU27 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | ECONOMY | Paying taxes Rank | Payments (number per year) | Time (hours per year) | Profit tax (%) | Labour tax and contributions (%) | Other taxes (%) | Total tax rate (% profit) |
| | | | | | | | | |
| 1 | Ireland | 5 | 8 | 76 | 11.9 | 11.6 | 2.7 | 26.3 |
| 2 | Denmark | 14 | 10 | 135 | 20.1 | 3.6 | 3.8 | 27.5 |
| 3 | Luxembourg | 17 | 23 | 59 | 4.1 | 15.1 | 1.5 | 20.8 |
| 4 | United Kingdom | 24 | 8 | 110 | 23.1 | 11.0 | 3.2 | 37.3 |
| 5 | Finland | 28 | 8 | 93 | 13.7 | 24.2 | 1.2 | 39.0 |
| 6 | Romania | 32 | 113 | 222 | 10.4 | 31.8 | 2.2 | 44.4 |
| 7 | Cyprus | 37 | 27 | 149 | 9.1 | 11.8 | 2.2 | 23.1 |
| 8 | Netherlands | 43 | 9 | 127 | 20.9 | 18.1 | 1.5 | 40.5 |
| 9 | Spain | 48 | 8 | 187 | 1.2 | 36.7 | 0.7 | 38.7 |
| 10 | Sweden | 50 | 4 | 122 | 15.7 | 35.5 | 1.6 | 52.8 |
| 11 | Estonia | 51 | 8 | 85 | 8.0 | 39.4 | 11.2 | 58.6 |
| 12 | France | 58 | 7 | 132 | 8.2 | 51.7 | 5.7 | 65.7 |
| 13 | Lithuania | 62 | 11 | 175 | 5.7 | 35.1 | 3.1 | 43.9 |
| 14 | Latvia | 67 | 7 | 290 | 6.1 | 27.2 | 4.7 | 37.9 |
| 15 | Bulgaria | 69 | 17 | 500 | 4.9 | 19.2 | 4.1 | 28.1 |
| 16 | Belgium | 77 | 11 | 156 | 5.2 | 50.4 | 1.7 | 57.3 |
| 17 | Portugal | 78 | 8 | 275 | 15.1 | 26.8 | 1.5 | 43.3 |
| 18 | Austria | 82 | 14 | 170 | 15.0 | 34.8 | 3.4 | 53.1 |
| 19 | Greece | 83 | 10 | 224 | 13.4 | 31.7 | 1.4 | 46.4 |
| 20 | Slovenia | 87 | 22 | 260 | 14.1 | 18.2 | 2.4 | 34.7 |
| 21 | Germany | 89 | 12 | 221 | 19.0 | 21.8 | 5.9 | 46.7 |
| 22 | Hungary | 117 | 13 | 277 | 14.8 | 34.1 | 3.5 | 52.4 |
| 23 | Czech Republic | 119 | 8 | 557 | 7.5 | 38.4 | 3.2 | 49.1 |
| 24 | Poland | 128 | 29 | 296 | 17.4 | 23.6 | 2.6 | 43.6 |
| 25 | Slovak Republic | 130 | 31 | 231 | 7.2 | 39.6 | 2.0 | 48.8 |
| 26 | Italy | 134 | 15 | 285 | 22.8 | 43.4 | 2.2 | 68.5 |
| 27 | Malta | x | x | x | x | x | x | x |

**APPENDIX XXXIII**

| Trading Across Borders EU27 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Trading Across Borders Rank | Documents to export (number) | Time to export (days) | Cost to export (US$ per container) | Documents to import (number) | Time to import (days) | Cost to import (US$ per container) |
| | ECONOMY | | | | | | | |
| 1 | Estonia | 3 | 3 | 5 | 725 | 4 | 5 | 725 |
| 2 | Finland | 6 | 4 | 8 | 540 | 5 | 8 | 620 |
| 3 | Denmark | 7 | 4 | 5 | 744 | 3 | 5 | 744 |
| 4 | Sweden | 8 | 3 | 8 | 697 | 3 | 6 | 735 |
| 5 | Germany | 12 | 4 | 7 | 872 | 5 | 7 | 937 |
| 6 | Netherlands | 13 | 4 | 6 | 895 | 5 | 6 | 975 |
| 7 | United Kingdom | 13 | 4 | 7 | 950 | 4 | 6 | 1,045 |
| 8 | Latvia | 15 | 5 | 10 | 600 | 6 | 11 | 801 |
| 9 | Cyprus | 19 | 5 | 7 | 790 | 7 | 5 | 900 |
| 10 | Ireland | 21 | 4 | 7 | 1,109 | 4 | 12 | 1,121 |
| 11 | France | 24 | 2 | 9 | 1,078 | 2 | 11 | 1,248 |
| 12 | Austria | 25 | 4 | 7 | 1,18 | 5 | 8 | 1,195 |
| 13 | Portugal | 26 | 4 | 16 | 685 | 5 | 15 | 899 |
| 14 | Lithuania | 28 | 6 | 9 | 870 | 6 | 9 | 980 |
| 15 | Luxembourg | 31 | 5 | 6 | 1,42 | 4 | 6 | 1,42 |
| 16 | Belgium | 36 | 4 | 8 | 1,429 | 5 | 8 | 1,6 |
| 17 | Poland | 46 | 5 | 17 | 1,05 | 5 | 16 | 1 |
| 18 | Slovenia | 50 | 6 | 16 | 710 | 8 | 15 | 765 |
| 19 | Spain | 55 | 6 | 9 | 1,221 | 7 | 10 | 1,221 |
| 20 | Italy | 63 | 4 | 20 | 1,245 | 4 | 18 | 1,245 |
| 21 | Czech Republic | 70 | 4 | 17 | 1,06 | 7 | 20 | 1,165 |
| 22 | Romania | 72 | 5 | 12 | 1,485 | 6 | 13 | 1,495 |
| 23 | Hungary | 74 | 6 | 16 | 1,015 | 7 | 18 | 1,085 |
| 24 | Bulgaria | 91 | 5 | 21 | 1,551 | 6 | 17 | 1,666 |
| 25 | Slovak Republic | 95 | 6 | 17 | 1,56 | 7 | 17 | 1,54 |
| 26 | Greece | 108 | 5 | 20 | 1,153 | 6 | 25 | 1,265 |
| 27 | Malta | x | x | x | x | x | x | x |

**APPENDIX XXXIV**

| Enforcing Contracts EU27 | | | | | |
|---|---|---|---|---|---|
| | **ECONOMY** | **Enforcing Contracts Rank** | **Procedures (number)** | **Time (days)** | **Cost (%of claim)** |
| 1 | Luxembourg | 1 | 321 | 9.7 | 26 |
| 2 | France | 6 | 331 | 17.4 | 29 |
| 3 | Germany | 8 | 394 | 14.4 | 30 |
| 4 | Austria | 9 | 397 | 18.0 | 25 |
| 5 | Finland | 11 | 375 | 13.3 | 33 |
| 6 | Lithuania | 15 | 275 | 23.6 | 30 |
| 7 | Latvia | 17 | 369 | 23.1 | 27 |
| 8 | Hungary | 19 | 395 | 15.0 | 35 |
| 9 | Belgium | 20 | 505 | 17.7 | 26 |
| 10 | United Kingdom | 21 | 399 | 24.8 | 28 |
| 11 | Portugal | 22 | 547 | 13.0 | 31 |
| 12 | Netherlands | 28 | 514 | 23.9 | 26 |
| 13 | Estonia | 29 | 425 | 22.3 | 35 |
| 14 | Denmark | 32 | 410 | 23.3 | 35 |
| 15 | Spain | 54 | 515 | 17.2 | 39 |
| 16 | Sweden | 54 | 508 | 31.2 | 30 |
| 17 | Romania | 56 | 512 | 28.9 | 31 |
| 18 | Slovenia | 58 | 1,29 | 12.7 | 32 |
| 19 | Ireland | 62 | 650 | 26.9 | 21 |
| 20 | Poland | 68 | 830 | 12.0 | 37 |
| 21 | Slovak Republic | 71 | 565 | 30.0 | 32 |
| 22 | Czech Republic | 78 | 611 | 33.0 | 27 |
| 23 | Bulgaria | 87 | 564 | 23.8 | 39 |
| 24 | Greece | 90 | 819 | 14.4 | 39 |
| 25 | Cyprus | 105 | 735 | 16.4 | 43 |
| 26 | Italy | 158 | 1,21 | 29.9 | 41 |
| 27 | Malta | x | x | x | x |

**APPENDIX XXXV**

| Resolving Insolvency EU27 | | | | | |
|---|---|---|---|---|---|
| | ECONOMY | Resolving Insolvency Rank | Time (years) | Cost (%of estate) | Recovery Rate (Cents on the dollar) |
| 1 | Finland | 5 | 0.9 | 4 | 89.1 |
| 2 | United Kingdom | 6 | 1.0 | 6 | 88.6 |
| 3 | Netherlands | 7 | 1.1 | 4 | 87.7 |
| 4 | Belgium | 8 | 0.9 | 4 | 87.3 |
| 5 | Denmark | 9 | 1.0 | 4 | 87.3 |
| 6 | Ireland | 10 | 0.4 | 9 | 86.9 |
| 7 | Sweden | 19 | 2.0 | 9 | 75.8 |
| 8 | Spain | 20 | 1.5 | 11 | 75.6 |
| 9 | Austria | 21 | 1.1 | 18 | 72.7 |
| 10 | Portugal | 22 | 2.0 | 9 | 70.9 |
| 11 | Cyprus | 23 | 1.5 | 15 | 70.8 |
| 12 | Italy | 30 | 1.8 | 22 | 61.1 |
| 13 | Latvia | 32 | 3.0 | 13 | 56.2 |
| 14 | Czech Republic | 33 | 3.2 | 17 | 56.0 |
| 15 | Slovak Republic | 35 | 4.0 | 18 | 54.3 |
| 16 | Germany | 36 | 1.2 | 8 | 53.8 |
| 17 | Slovenia | 39 | 2.0 | 4 | 51.1 |
| 18 | Lithuania | 40 | 1.5 | 7 | 50.9 |
| 19 | France | 46 | 1.9 | 9 | 45.8 |
| 20 | Luxembourg | 49 | 2.0 | 15 | 43.5 |
| 21 | Greece | 57 | 2.0 | 9 | 41.8 |
| 22 | Hungary | 66 | 2.0 | 15 | 39.2 |
| 23 | Estonia | 72 | 3.0 | 9 | 36.9 |
| 24 | Poland | 87 | 3.0 | 15 | 31.5 |
| 25 | Bulgaria | 90 | 3.3 | 9 | 31.4 |
| 26 | Romania | 97 | 3.3 | 11 | 28.6 |
| 27 | Malta | x | x | x | x |