

# Western Balkans Competitiveness Outlook 2024

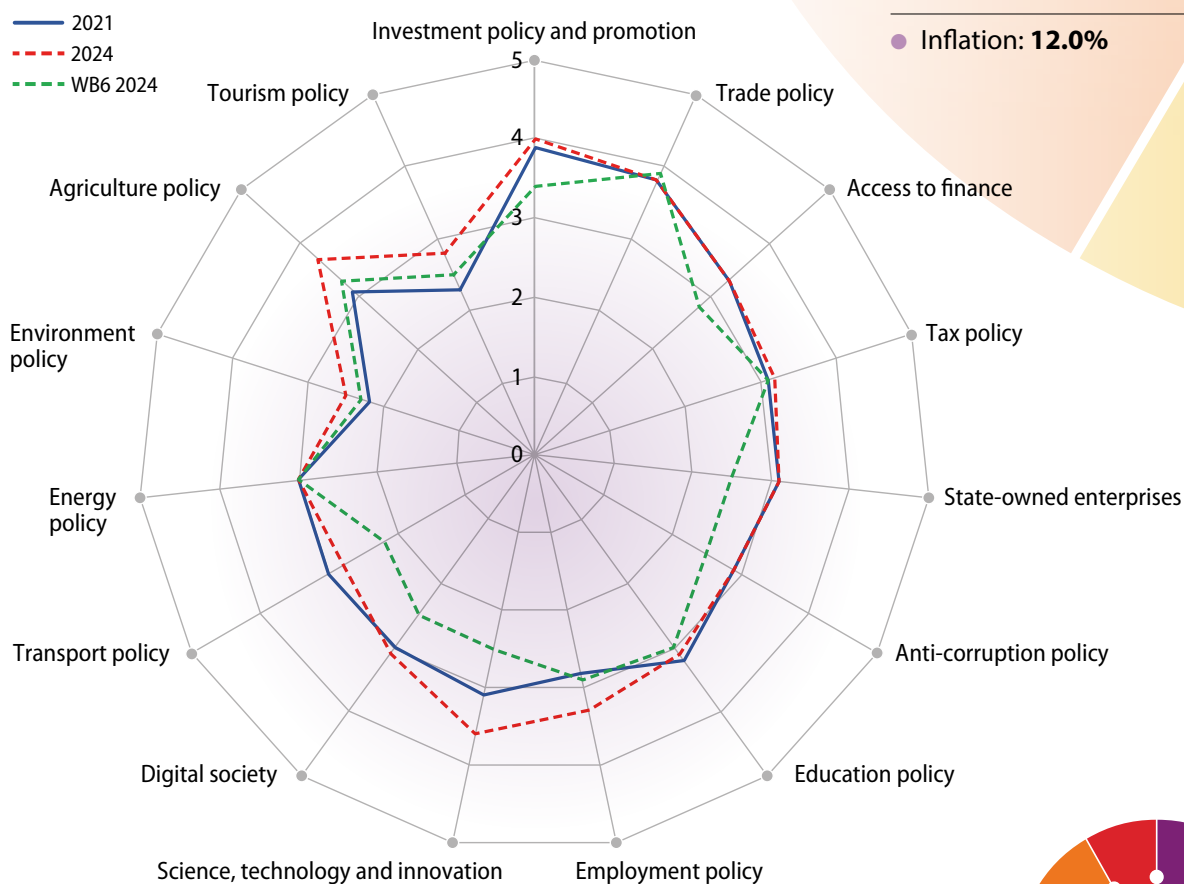
OECD SOUTH EAST EUROPE REGIONAL PROGRAMME

## Serbia

Since the *Competitiveness Outlook (CO) 2021*, Serbia has made strides in 8 out of 15 policy dimensions with the strongest score increases observed in the areas of agriculture, science, technology and innovation (STI) and employment policy. Serbia is outperforming the average of the six Western Balkan (WB6) economies across 13 policy dimensions, with only trade and energy policy lagging behind. For additional insights into Serbia's performance across various dimensions, trends over time or comparisons with other economies, please refer to the Western Balkans Competitiveness Data Hub at:

[westernbalkans-competitiveness.oecd.org](https://westernbalkans-competitiveness.oecd.org).

### Serbia's Competitiveness Outlook performance<sup>1</sup> (2021 and 2024)



**Note:** Dimensions are scored on a scale of 0 to 5. See the reader's guide and the Data Hub at [westernbalkans-competitiveness.oecd.org](https://westernbalkans-competitiveness.oecd.org) for information on the assessment methodology and the individual score assigned to indicators.

1. Source: OECD (2024), *Western Balkans Competitiveness Outlook 2024: Serbia*, Competitiveness and Private Sector Development, OECD Publishing, Paris, <https://doi.org/10.1787/3699c0d5-en>.



### Key facts<sup>1</sup>

(2023 estimate)

- GDP growth: **2.5%**
- Unemployment rate: **9.5%**
- Exports of goods and services: **63.8% of GDP**
- Net FDI: **5.5 % of GDP**
- Inflation: **12.0%**



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## Main achievements

- Efforts to build a **digital society** in Serbia have accelerated, with broadband access in rural areas rising from 74% in 2021 to nearly 80% by 2023. Additionally, significant advancements were realised in expanding e-government services: Serbia leads the Western Balkans in internet interactions with public authorities (51.1%), surpassing the EU average. The economy is pioneering emerging technologies, exemplified by the establishment of the Research and Development Institute for Artificial Intelligence in 2021.
- Governance and funding for **science, technology and innovation (STI)** policies in Serbia have strengthened with the creation of the Ministry of Science, Technological Development and Innovation in 2022. Gross domestic expenditure on research and development (R&D) is rising, now constituting around 1% of GDP. This increased public investment in R&D has contributed to the expansion of science and technology parks and the construction a state-of-the-art biotechnology park.
- Foreign direct **investment (FDI)** in Serbia has surged, with net inflows rising from USD 2.3 billion in 2015 to USD 4.5 billion in 2023, thanks to an open investment regime and non-distorting incentives. Over a quarter of this FDI has gone into manufacturing, boosting Serbia's productive capacity and competitiveness. Effective policy measures, including cost-based incentives aligned with OECD good practices, have been key to attracting investment in high-value, export-oriented sectors.
- The productivity of the **agriculture** sector has shown signs of improvement. Despite a decline in employment from 21.2% in 2011 to 13.9% in 2021, the sector's share of GDP has remained steady at around 6%. Enhanced irrigation and drainage infrastructure, available producer support instruments, and increased advisory services have boosted the productivity. Serbia stands out as the only economy in the Western Balkans with a trade surplus in its agrifood sector.

## Main priorities

- To boost **trade** flow and reduce costs, Serbia should enhance trade facilitation by digitalising and simplifying administrative procedures. Currently, full-time automated customs processing and electronic documentation for all trade documents are lacking, requiring notarised hard copies.
- To enhance efficiency and reduce prices, Serbia should foster competition and deregulation in the **energy** sector. Despite establishing an intraday electricity market in 2023, deregulation remains limited due to the dominance of a few established suppliers. Serbia should incentivise alternative suppliers to enter the market and further liberalise the energy sector to create a resilient and diversified energy landscape. This would decrease reliance on single sources and strengthen the overall energy infrastructure.
- Many **state-owned enterprises (SOE)** operate at a loss or achieve low returns, indicating structural issues. Transparently analysing the causes of underperformance and quantifying the impact of public policy objectives on SOE finances would be an important first step to improve the governance efficiency.
- **Anti-corruption** bodies are facing significant resource constraints. The Agency for Prevention of Corruption is significantly understaffed, and the Prosecutor's Office for Organised Crime operates with limited human resources and insufficient technical equipment.

## Western Balkans Competitiveness Outlook 2024

Inclusive and sustainable economic growth in the six Western Balkan (WB6) economies requires enhanced economic competitiveness. Although the gap is closing gradually, the standards of living in WB6 are well below those of the OECD and EU. Accelerating the rate of socio-economic convergence will require a holistic, growth-oriented approach to policy making.

This report is the fourth study of the region, and it comprehensively assesses policy reforms in the WB6 economies across 15 policy areas key to strengthening their competitiveness. It enables WB6 economies to compare performance against regional peers, as well as EU-OECD good practices and standards, and to design future-

oriented policies based on rich evidence and actionable policy recommendations.

Economy-specific profiles offer each WB6 economy an in-depth analysis of their policies supporting competitiveness. In addition to tracking the implementation of the previous 2021 study's recommendations, these profiles provide additional recommendations tailored to the economies' evolving challenges. These recommendations aim to inform structural economic reforms and facilitate the region's socio-economic convergence towards the standards of the EU and OECD.

