

HIDDEN ECONOMY TRENDS AND POLICY MEASURES

GOOD EXAMPLES OF CURRENT COUNTER - MEASURES

THE EU COMMISSION HAS CRITICISED WESTERN BALKANS COUNTRIES FOR FOCUSING ALMOST EXCLUSIVELY ON INSPECTIONS AND CONTROLS, RATHER THAN PROVIDING INCENTIVES IN THEIR EFFORTS TO COUNTER THE HIDDEN ECONOMY.

STILL, A NUMBER OF COUNTRIES HAVE TAKEN STEPS IN THE RIGHT DIRECTION. MONTENEGRO IS ABOUT TO LAUNCH A SYSTEM FOR ISSUING FISCAL INVOICES ELECTRONICALLY, WHILE BOSNIA AND HERZEGOVINA HAS INTRODUCED AN OBLIGATORY SUBMISSION OF VAT DECLARATIONS IN ELECTRONIC FORMAT.

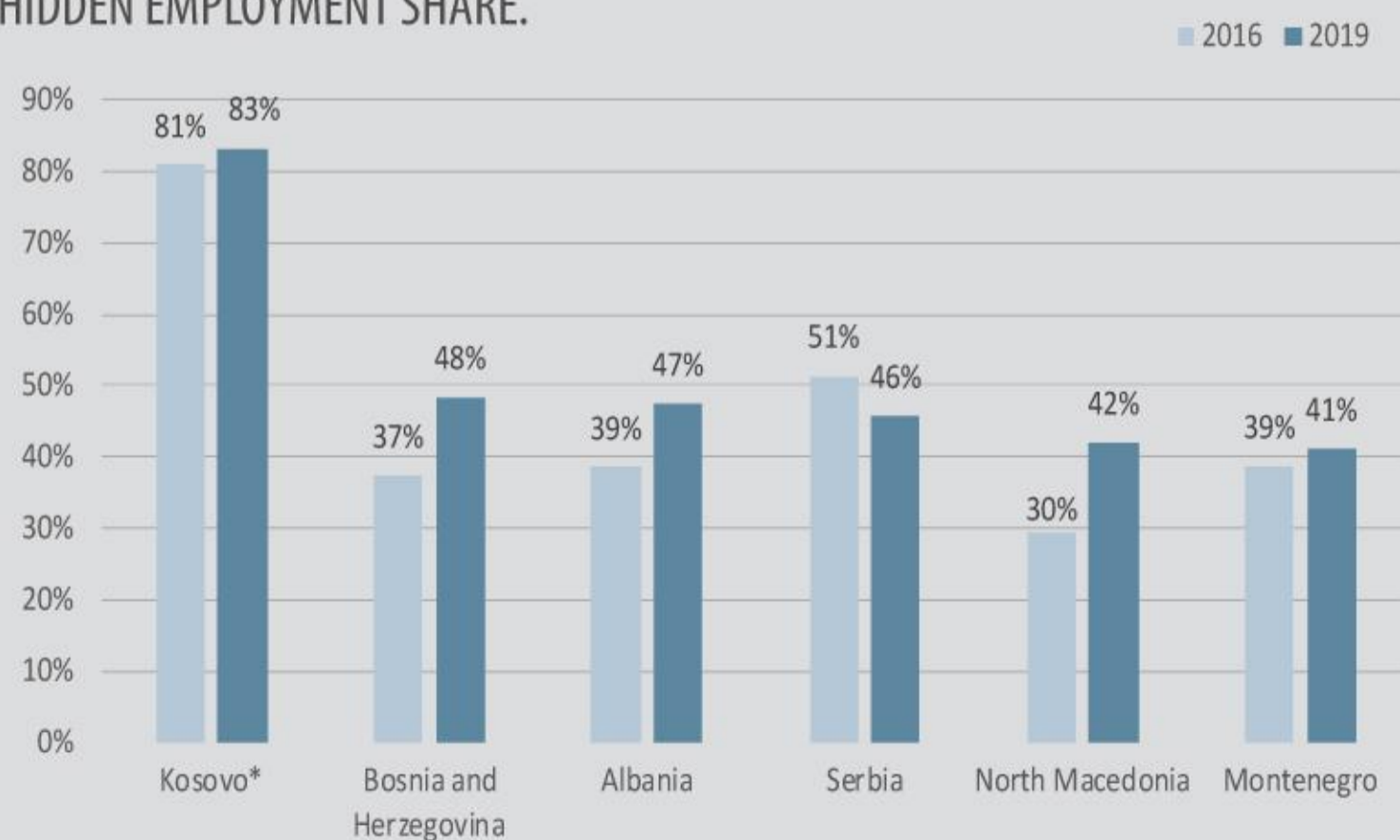
AWARENESS RAISING CAMPAIGNS INCLUDE THE "TAKE A RECEIPT AND WIN" LOTTERY IN SERBIA, AND "MY VAT" CASH PRIZES LOTTERY IN NORTH MACEDONIA.

IT REMAINS TO BE SEEN WHETHER THESE MEASURES WILL PRODUCE FRUITFUL RESULTS IN THE QUEST FOR FORMALISATION.

HIDDEN EMPLOYMENT INDEX 2016-2019

BETWEEN 2016 AND 2019, HIDDEN EMPLOYMENT HAS INCREASED IN FIVE OUT OF THE SIX WESTERN BALKANS COUNTRIES, ACCORDING TO SELDI'S "HIDDEN ECONOMY MONITORING SYSTEM".

SERBIA IS THE ONLY COUNTRY WHICH SHOWS A DECLINE IN HIDDEN EMPLOYMENT LEVELS SINCE 2016, WHILE KOSOVO* REMAINS THE COUNTRY WITH THE HIGHEST HIDDEN EMPLOYMENT SHARE.



* The designation "Kosovo" is without prejudice to positions on status, and is in line with UNSCR1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

POLICY RECOMMENDATIONS AND SOLUTIONS

IN ORDER TO COMBAT THE CHALLENGES OF THE HIDDEN ECONOMY, WESTERN BALKAN GOVERNMENTS NEED TO ESTABLISH A MORE EFFICIENT BALANCE BETWEEN PREVENTIVE AND PUNITIVE MEASURES.

GOVERNMENTS SHOULD CONSIDER THE CONTINUOUS USE OF A MIX OF MEASURES, INCLUDING AWARENESS CAMPAIGNS, INTRODUCTION OF FLEXIBLE LABOUR CONTRACTS, AMNESTIES OR TAX REDUCTIONS TO PROMOTE THE TRANSITION FROM THE INFORMAL TO THE FORMAL SECTOR.

RANDOM REPRESSIVE MONITORING AND INSPECTIONS OF NUMEROUS SMALL AND MICRO-COMPANIES SHOULD BE REPLACED WITH TARGETED INSPECTIONS AT KEY RISK COMPANIES, SECTORS AND LOCATIONS.

THE EUROPEAN COMMISSION AND THE COUNCIL COULD ALSO PROMOTE IN-DEPTH REFORMS THROUGH THE IPA FUNDS OR DURING THE ASSESSMENTS OF THE 2019-2021 ECONOMIC REFORM PROGRAMMES (ERP). AN INITIATIVE SIMILAR TO THE EUROPEAN PLATFORM TACKLING UNDECLARED WORK, FOCUSING ON THE WESTERN BALKANS COULD HELP THE REGION REDUCE THE MOST NEGATIVE CONSEQUENCES OF UNDECLARED WORK.



Source: SELDI Corruption Monitoring System / Hidden Economy Monitoring System, 2020

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